

ECON 476: International Finance and Open Economy Macroeconomics

Spring 2021

Class Schedule

Tuesday, Thursday 2:00-3:20

Integrated Science Center 1221 (Or Zoom)

Contact Information

Professor: John Lopresti

Email: jwlopresti@wm.edu

Office: Tyler 243

Virtual Office Hours: Wednesday 11:00 – 12:00, Friday 11:00 – 1:00, or by appointment

Textbook

Recommended: Krugman, Obstfeld, and Melitz, *International Economics*, 11th Edition (Older ones are fine)

Also Helpful: Feenstra and Taylor, *International Macroeconomics*, 4th edition

Additional readings will be posted to Blackboard throughout the semester.

Course Grade

Homework (Best 3 out of 4)	30%
Short paper	20%
Midterm Exam	20%
Final Exam	30%

Key Dates

March 4, April 6: Spring Break Days (No Class)

Homework 1 Due: Thursday, February 18

Homework 2 Due: Tuesday, March 16

Homework 3 Due: Thursday, April 15

Homework 4 Due: Thursday, May 6

Paper Due: Thursday, April 22

Midterm Exam: Tuesday, March 23 (In Class)

Final Exam: Monday, May 17, 2:00-5:00

Assignments are due through Blackboard by 5:00pm Eastern on the dates listed below. Assignments turned in after 5:00 will be accepted for 24 hours with a penalty of 20 percentage points. Assignments turned in more than 24 hours late will not be accepted.

I encourage you to work together on homework assignments. However, each student is required to turn in their own problem set. Homework will be posted on Blackboard at least a week prior to being due. Start early!

Exams are closed book. The midterm exam will be given in class on the date listed above. Students who are unable to make the exam for medical or other reasons should contact me in advance to make arrangements. In the event that you have questions regarding the grading of an exam, you have one week from the day it is returned to contact me.

The paper requires you to analyze a foreign economy or current international macroeconomic event using the tools from class. The goal is to encourage you to put the concepts from the course to use in an applied setting. You may ask for feedback from classmates, but you must do your own work on your own topic. More information will be posted on Blackboard closer to the due date.

Three pieces of advice:

- 1) Come to class! I do not take attendance, but the historical correlation between attendance and performance is high.
- 2) Take the homework assignments seriously! Do them all – practice problems too – and try to understand general concepts, not just specific questions.
- 3) Come to office hours! Your questions are not dumb. I am a microeconomist by training, there's a good chance we will learn from each other. The chapters build on each other, so don't wait until right before the exam.

Additional Notes

This will be a challenging semester for many of us. It is my goal to help you learn about the world through the lens of international trade. It is not my goal to make your life miserable. While the expectations for William & Mary students remain high, I understand that there may be times where students are unable to meet deadlines, attend class, etc. It is my intention to be as flexible as possible. If you are struggling with the course for any reason, please contact me to discuss adjustments we can make.

Additionally, please let me know if some portion of the class is not functioning as well as it might – especially the online components. Your feedback is the most useful input in improving the course.

Face Masks and Physical Distancing

Please do your part to help keep our community safe. Per university policy, wearing a face mask is required in all public or communal spaces, including classrooms. This face mask must fully cover your mouth and nose. Students will be responsible for cleaning classroom desk space before and after use. Our classroom has been reconfigured to allow at least six feet between each student and at least six feet from the instructor. Please do your part to maintain that distance. Although students and faculty normally interact in close proximity during class, that will not be possible this semester. To better accommodate our need to be in close proximity to review assignments or assist in solving technology issues, office hours will be held via Zoom to allow screen sharing.

Student Accessibility Services

William & Mary accommodates students with disabilities in accordance with federal laws and university policy. Any student who feels they may need an accommodation based on the impact of a learning, psychiatric, physical, or chronic health diagnosis should contact Student Accessibility Services staff at 757-221-2512 or at sas@wm.edu to determine if accommodations are warranted and to obtain an official letter of accommodation. For more information, please see www.wm.edu/sas.

Note, it is the student's responsibility to discuss accommodations and accommodation logistics with faculty. Students requesting and approved for testing accommodations need to give 48 hours of notice prior to the exam.

W&M Honor Code

The College of William & Mary has had an honor code since at least 1779. Academic integrity is at the heart of the College, and we all are responsible for upholding the ideals of honor and integrity. The student-led honor system is responsible for resolving any suspected violations of the Honor Code, and I will report all suspected instances of academic dishonesty to the honor system. The Student Handbook (www.wm.edu/studenthandbook) includes your responsibilities as a student and the full Code. Your full participation and observance of the Honor Code is expected. To read the Honor Code, see www.wm.edu/honor. All academic work in this course is to be your own.

Tentative Outline of Topics

It's probably useful to think of the class as divided into three parts

Measurement and Exchange rate basics

How do we measure the flow of goods and assets across countries? How does this relate to wealth? What are exchange rates, and how are they determined? How do they behave empirically? How do foreign exchange markets work? Exchange rates depend on interest rates, so how are those determined? How does monetary policy affect exchange rates?

1. Chapter 13: National Income Accounting and the Balance of Payments
2. Chapter 14: Exchange Rates and the Foreign Exchange Market
3. Chapter 15: Money, Interest Rates, and Exchange Rates

Exchange Rates in the Short Run and Long Run

How do actors in asset market form expectations about future exchange rates? How are long and short run equilibria determined, and how do they respond to macroeconomic shocks? What's the difference between the short and long run models? What's the difference between fixed and floating exchange rates? How do governments intervene in markets to fix exchange rates?

4. Chapter 16: Price Levels and the Long Run
5. Chapter 17: Output and the Short Run
6. Chapter 18: Fixed Exchange Rates

International Macroeconomic Policy

What are the tradeoffs in different policy regimes? How have different exchange rate systems fared historically? Why has international financial market integration risen so much? What are the gains and risks? What are the successes and failures of the Euro? What can we learn from financial crises in developing countries?

7. Chapter 19: International Monetary Systems: Historical Overview
8. Chapter 20: Financial Globalization
9. Chapter 21: Optimum Currency Areas/Euro Crisis
10. Chapter 22: Developing Countries/ International Uncertainty
11. Grab Bag as time permits