

ECN160B: International Macroeconomics

Spring 2005	CRN Numbers: 72718 & 72719	
Lecture:	MWF 8:00am - 8:50am	00230 WELLMN
Sections:	W 7:10pm-8:00pm & 8:10pm-9:00pm	HOAGLD 00113
Section B01	W 8:10 pm-9:00 pm	00113 HOAGLD
Section B02	W 7:10 pm-8:00 pm	00113 HOAGLD

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M&F 9:00am – 10:00am
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Objectives: The course addresses current issues in open economy macroeconomics and international finance. The goal of the class is to familiarize you with main concepts of international macroeconomics and apply them to current cases. A number of formal models will be presented and their relation with data discussed. Topics include an exchange rate determination and dynamics, macroeconomic policy under fixed and floating exchange rate regimes, current account behavior, exchange rate management and international policy coordination, and the history of the international monetary system. Special attention is given to the international financial architecture.

Prerequisites: ECN100 or ECN104 and ECN101 or ECN105 (Intermediate micro theory or intermediate microeconomics and intermediate macro theory or intermediate macroeconomics). The course will be taught at an intermediate level.

Textbook: *International Economics: Theory and Policy*, by Krugman and Obstfeld, 6th Edition. The course closely follows the 2nd half of the textbook (Parts III and IV).

Other materials: Video *Trillion Dollar Bet* will be shown in class.

In addition, the book *The Vandals' Crown: How Rebel Currency Traders Overthrew the World's Central Banks* by Gregory Millman, 1995, and newspaper articles will be quoted and used periodically. Some additional materials will be posted on the web or handed out in class.

Outline of Topics:

Section 1: Collecting Building Blocks

- 1) National Income and Balance of Payments (BOP) Accounts (Ch 12)
- 2) Foreign Exchange Market (Exchange Rates, Interest Rates) (Ch13)
- 3) Money (Ch 14)
- 4) Purchasing Power Parity (PPP) (Ch15)

Section 2: Building a General Theoretical Framework

- 1) Under Flexible Exchange Rates (Ch 16)
- 2) Under Fixed Exchange Rates (Ch 17)

Section 3: Applying the Framework to Policy Issues (as time permits)

- 1) History of the International Monetary System (Ch 18)
- 2) Macroeconomic Policy Coordination (Ch 19)
- 3) European Monetary Union (Ch 20)
- 4) Global Capital Market (Ch 21)
- 5) Developing Countries: Growth, Crisis and Reform (Ch 22)

Course Web Page: <http://www.econ.ucdavis.edu/faculty/gala/ECN160B>

Lecture outlines, readings, homework assignments and solutions keys, and calendar of due dates will be posted.

Evaluation: The course grade will be based on your grades for two midterm exams, final exam and homework assignments.

Midterms	40%	(Each midterm is 20%)
Final Exam	60%	

Grade = Max (20% Midterm 1 + 20% Midterm 2 + 60% Final, 40% Midterm 1 + 60% Final, 40% Midterm 2 + 60%). The course grades are assigned on a curve. No make up exams are given. For students absent for valid reasons (medical, etc.) the grades will be prorated based on the grades of submitted work. Late submissions are penalized.

Homework: There will be four or five homework assignments (HA) (three or four problem sets and one case study). Homework assignments must be complete and two-thirds correct to get a check mark. For every homework assignment missing, late, or not having check mark the final grade will be dropped one step (for example, from B to B- or from D- to F). Missing midterm will be counted as two missing homework assignments.

Attendance: Attendance is desirable, but not mandatory. The subject of international finance is conceptually demanding and hardly could be mastered through an independent self-study.