Introduction

Open Economy Macroeconomics is the study of large scale economic problems in interdependent economies around the world. It is part of macroeconomics because it focuses on the study of key economy-wide variables such as exchange rates, prices, interest rates, income, wealth, and the current account. It is also more than macroeconomics because it focuses not just on the domestic economy, but explores the interconnections among nations to achieve a deeper understanding of the global economy.

Topics covered in this course will include models of exchange rates, the balance of payments, and the effects of policies and disturbances in the open economy. A number of important policy questions related to such issues as financial crises in emerging markets, the volatility of international capital markets, global trade imbalances, and the single currency in Europe may also be discussed.

Prerequisites

Introductory economics and intermediate macroeconomics. Algebra and calculus will be used as well.

Readings

*International Finance Theory & Policy* by Krugman, Obstfeld and Melitz (10th edition) is the text adopted for this course. Older versions of the text (*International Economics Theory & Policy*) should work just as well, though the chapter numbers listed below will differ. Additional readings will be assigned during the course.
Course Requirements

There will be eight homework assignments, two written exams, and a group project (details of the project will be given in a separate handout). The weights in determining the final course grade are:

Homework 15%
Midterm Exam 25%
Final Exam 30%
Project 30%

Exams will take place on the following dates:

Midterm Exam March 5th, 2015 (Thur, class time)
Final Exam May 12th, 2015 (Tue, 2-4pm)

Make up exams will not be possible so attendance is required on the stated exam dates. No exceptions will be made (so please don’t schedule flights that leave before your final exam!).

On time completion of required readings and assignments are expected. Late assignments will NOT be accepted for ANY reason. However, you are allowed to drop two homework assignments from the calculation of your final grade.

Any student who misses (or expect that he/she will miss) the midterm exam due to serious medical or family-related emergency must inform me and provide the required documentation either prior to the exam date or no later than the end of the class meeting following the exam date. Upon verification of the validity of the documentation, the weight for the missing exam will be placed on the final exam. In order to receive a passing grade for the class, students must be present for the final exam, otherwise, the course grade will be an automatic F.

All assignments should be submitted in class (except for the final project write-up). If for some reason you cannot attend class and wants to hand in the assignment using other means (such as the class lockbox in the econ alcove), you must inform me first. I need to know where and when you’ve left your assignment in order to determine that the assignment has been handed in by the relevant deadline. The assignment will be considered late and not accepted for grading if you fail to comply by these guidelines.

I will try to be prompt in grading and returning assignments and exams. I will also be as careful as possible in assigning grades. However, if you believe a grading mistake has been made, you may submit a written request for a re-grade of the whole exam/assignment within a week after the exam/assignment has been returned, carefully explaining why you believe the grade assigned is incorrect. Be forewarned, however, that your grade may go up or down as a result of a re-grade.
Course Outline

1. Introduction to Open Economy Macroeconomics
2. Introduction to Exchange Rates and the Foreign Exchange Market
   Krugman, Obstfeld & Melitz Chapter 3 (Exchange Rates and the Foreign Exchange Market: An Asset Approach)
3. A Simple Model of the Exchange Rate
   Krugman, Obstfeld & Melitz Chapter 3 and Chapter 3 Appendix (Forward Exchange Rates and Covered Interest Parity)
4. Exchange Rates: The Monetary Approach
   Krugman, Obstfeld & Melitz Chapter 4 (Money, Interest Rates, and Exchange Rates)
5. Relationship Between Money, Prices and Exchange Rates
   Krugman, Obstfeld & Melitz Chapter 5 (Price Levels and the Exchange Rate in the Long Run)
   Krugman, Obstfeld & Melitz Chapter 2 (National Income Accounting and the Balance of Payments)
7. Output and Exchange Rates in the Short Run
   Krugman, Obstfeld & Melitz Chapter 6 (Output and the Exchange Rate in the Short Run) and Chapter 6 Appendix 2 (The Marshall-Lerner Condition and Empirical Estimates of Trade Elasticities)
8. Fixed Exchange Rates and Foreign Exchange Intervention
   Krugman, Obstfeld & Melitz Chapter 7 (Fixed Exchange Rates and Foreign Exchange Intervention) and Chapter 7 Appendix 2 (The Timing of Balance of Payments Crises)
9. International Macroeconomic Policy
   Krugman, Obstfeld & Melitz Chapter 8 (International Monetary Systems: An Historical Overview)

Special Notes

In an effort to improve efficiency during office hour times, if you’d like to come in to see me, please sign up for an office hour slot using the following link to Google Docs (link also available on Moodle):
https://docs.google.com/spreadsheets/d/1TkXPtkJzMXkp63JvD6-SEbhgDUN8pYSNY_8yMyYi8/edit?usp=sharing
The sign-up sheet will be updated every Wed evening with slots for the following week. Please DO NOT sign up for more than one slot at a time (but you can certainly stay longer
in the office if that becomes necessary and no one else is around), and try not to change the
time slot you signed up for after you’ve committed to it. I have also left the first half hour
of my office hours as “Open Visit.” This means you can just drop by during those times
without signing up for a time slot.

All students are expected to adhere to the Wesleyan University Honor Code
(http://www.wesleyan.edu/studentaffairs/honorboard/honorcode.html). If you have
questions regarding plagiarism and the appropriate way to give credit to sources in any
work you submit, please contact me or schedule an appointment with the Olin librarians.
You are allowed to work on the homework with your classmates, but you must hand in
your own copy of the homework with the answers written out in your own words. No
credit will be given for homework with exactly the same answers. I will not tolerate
academic dishonesty. Any such behavior will be reported to the VP for Student Affairs and
the Student Honor Board.

Wesleyan University is committed to ensuring that all qualified students with disabilities
are afforded an equal opportunity to participate in and benefit from its programs and
services. To receive accommodations, a student must have a documented disability as
defined by Section 504 of the Rehabilitation Act of 1973 and the ADA Amendments Act
of 2008, and provide documentation of the disability. Since accommodations may require
early planning and generally are not provided retroactively, please contact Disability
Resources as soon as possible. If you believe that you need accommodations for a
disability, please contact Dean Patey in Disability Resources, located in North College,
Room 021, or call 860-685-5581 for an appointment to discuss your needs and the process
for requesting accommodations. The Disabilities Services website is
http://www.wesleyan.edu/studentaffairs/disabilities/index.html. Note that I will not be able
to provide accommodations to students who claim disability without documentation, hence
please make sure you sort things out with Dean Patey and get the documentation to me
before your first assignment or exam is due.