**Exchange Rates and International Macroeconomics (8751.722)[[1]](#footnote-1)**

**Instructor: Ahn, JaeBin (**[jaebin.ahn@snu.ac.kr](mailto:jaebin.ahn@snu.ac.kr)**)**

**Class hours: 2021 Spring semester; Wednesdays 14:00-17:00 (140; #103)[[2]](#footnote-2)**

**Office hours: by appointment only (140-1; #602)**

**Teaching Assistant: Chun, Hyun Ji (**[hjchun9@snu.ac.kr](mailto:hjchun9@snu.ac.kr)**)**

**Prerequisite Course:**

Although there are no official course requirements, it is strongly recommended to have taken “International Economic Relations” (875.512) and “Research Methodology and Skills” (875.810) in advance.

**Course Description:**

This course introduces the main conceptual issues and (theoretical and empirical) methodologies of frontier research on Exchange Rates, with a goal to be able to better understand the implications of exchange rates on international finance and trade activities.

**Materials and Reference:**

Recommended readings:

[*International Economics: Theory and Policy* (Krugman, Obstfeld & Melitz; Pearson)](http://snu-primo.hosted.exlibrisgroup.com/primo_library/libweb/action/display.do?tabs=requestTab&ct=display&fn=search&doc=82SNU_INST21602223320002591&indx=2&recIds=82SNU_INST21602223320002591&recIdxs=1&elementId=1&renderMode=poppedOut&displayMode=full&frbrVersion=&frbg=&dscnt=1&scp.scps=scope%3A%2882SNU_ROSETTA%29%2Cscope%3A%2882SNU_COURSE%29%2Cscope%3A%2882SNU_INST%29%2Cscope%3A%2882SNU_SSPACE2%29%2Cprimo_central_multiple_fe&tb=t&vid=82SNU&mode=Basic&tab=all&srt=rank&prefLang=en_US&dum=true&vl(freeText0)=International%20Economics%20%28Krugman%2C%20Obstfeld%20%26%20Melitz%3B%20Pearson%29&fromLogin=true&dstmp=1547430906115)

*[International Financial Management](https://primoapac01.hosted.exlibrisgroup.com/primo-explore/fulldisplay?docid=82SNU_INST21625549810002591&context=L&vid=82SNU&lang=en_US&search_scope=BOOK&adaptor=Local%20Search%20Engine&tab=book&query=any,contains,International%20Financial%20Management&offset=0)* [(Bekaert and Hodrick; Pearson)](https://primoapac01.hosted.exlibrisgroup.com/primo-explore/fulldisplay?docid=82SNU_INST21625549810002591&context=L&vid=82SNU&lang=en_US&search_scope=BOOK&adaptor=Local%20Search%20Engine&tab=book&query=any,contains,International%20Financial%20Management&offset=0)

[*The Economics of Exchange Rates* (Lucio Sarno and Mark Taylor; Cambridge)](http://snu-primo.hosted.exlibrisgroup.com/primo_library/libweb/action/display.do?tabs=requestTab&ct=display&fn=search&doc=82SNU_INST21459516340002591&indx=4&recIds=82SNU_INST21459516340002591&recIdxs=3&elementId=3&renderMode=poppedOut&displayMode=full&frbrVersion=&frbg=&&dscnt=0&scp.scps=scope%3A%2882SNU_COURSE%29%2Cscope%3A%2882SNU_INST%29%2Cscope%3A%2882SNU_SSPACE2%29%2Cscope%3A%2882SNU_ALMAD%29%2Cprimo_central_multiple_fe&tb=t&mode=Basic&vid=82SNU&srt=rank&tab=all&dum=true&vl(freeText0)=The%20Economics%20of%20Exchange%20Rates%20%28Lucio%20Sarno%20and%20Mark%20Taylor%3B%20Cambridge&dstmp=1611818922098)

[*Handbook of Exchange Rates* (Jessica James, Ian Marsh, and Lucio Sarno; Cambridge)](https://primoapac01.hosted.exlibrisgroup.com/primo-explore/fulldisplay?docid=82SNU_INST21457141590002591&context=L&vid=82SNU&lang=en_US&search_scope=ALL&adaptor=Local%20Search%20Engine&tab=all&query=any,contains,handbook%20of%20exchange%20rates)

**Evaluation Method:**

* Class attendance and participation: 10%
* Problem sets (using Excel or Stata; 3 times): (10%×3=30%)
* Research proposal and presentation (individual): (20%×2=40%)
* Take home referee reports (20%): *this substitutes for make-up class for missing weeks due to national holidays)*.

**Lecture Plan: (tentative; topics and key reference papers are subject to changes)**

Week 1 (Mar.3): Introduction and Course Overview

Week 2 (Mar.10): Conceptual Backgrounds on Exchange Rates

Week 3 (Mar.17): Exchange Rate Pass-Through (I)

[Burstein, A., & Gopinath, G. (2014). “International Prices and Exchange Rates” in Handbook of International Economics Vol.4.](https://www.sciencedirect.com/science/article/pii/B9780444543141000070)

Week 4 (Mar.24): Exchange Rate Pass-Through (II)

[Amiti, M., Itskhoki, O., & Konings, J. (2014). “Importers, Exporters, and Exchange Rate Disconnect”. *American Economic Review*, 104(7), 1942-1978.](https://www.aeaweb.org/articles?id=10.1257/aer.104.7.1942)

[Ahn, J., & Park, C. (2014). “Exchange Rate Pass-through to Domestic Producer Prices: Evidence from Korean Firm-level Pricing Surveys”. Economics Letters, 125(1), 138-142.](https://www.sciencedirect.com/science/article/abs/pii/S0165176514001992)

[Ahn, J., & Park, C., & Park, C. (2017). “Pass-through of Imported Input Prices to Domestic Producer Prices: Evidence from Sector-level Data”. B.E. Journal of Macroeconomics, 17(2).](https://www.degruyter.com/document/doi/10.1515/bejm-2016-0034/html)

Week 5 (Mar.31): Exchange Rate and International Trade

[Bussiere, M., Gaulier, G., & Steingress, W. (2020). “Global Trade Flows: Revisiting the Exchange Rate Elasticities”. Open Economies Review, 31: 25-78.](https://link.springer.com/article/10.1007/s11079-019-09573-3)

[Ahmed, S., Appendino, M., & Ruta, M. (2017). “Global Value Chains and the Exchange Rate Elasticity”. B.E. Journal of Macroeconomics, 17(1).](https://www.degruyter.com/document/doi/10.1515/bejm-2015-0130/html)

[Ahn, J., Mano, R., & Zhou, J. (2020). “Real Exchange Rate and External Balance: How Important Are Price Defaltors?”. Journal of Money, Credit and Banking, 52(8), 2111-2130.](https://onlinelibrary.wiley.com/doi/abs/10.1111/jmcb.12746)

Week 6 (Apr.7): Exchange Rate Determination (I)

[Parsley, D., & Wei, S-J. (2007). “A Prism into the PPP Puzzles: The Micro-Foundations of Big Mac Real Exchange Rates”. Economic Journal, 117(October), 1336-1356.](https://onlinelibrary.wiley.com/doi/full/10.1111/j.1468-0297.2007.02085.x)

Week 7 (Apr.14): Exchange Rate Determination (II)

[Burnside, C. (2019). “Exchange Rates, interest Parity, and the Carry Trade”. Oxford Research Encyclopedia of Economics and Finance.](https://oxfordre.com/economics/view/10.1093/acrefore/9780190625979.001.0001/acrefore-9780190625979-e-315)

[Du, W., Tepper, A., & Verdelhan, A. (2018). “Deviations from Covered Interest Rate Parity”, Journal of Finance, 73(3), 915-957](https://onlinelibrary.wiley.com/doi/abs/10.1111/jofi.12620).

Week 8 (Apr.21): Exchange Rate and Macroeconomic Policies

Week 9 (Apr.28): **Research Proposal Presentation** **I (proposal stage)**

Week 10 (May.5): No class: National holiday

Week 11 (May.12): Exchange Rate Regimes

[Rose, A. (2011). “Exchange Rate Regimes in the Modern Era: Fixed, Floating, and Flaky”. Journal of Economic Literature, 49(3), 652-672.](https://www.aeaweb.org/articles?id=10.1257/jel.49.3.652)

[Rey, H. (2018). “Dilemma not Trilemma: The Global Financial Cycle and Monetary Policy Independence”, NBER Working paper W21162](https://www.nber.org/system/files/working_papers/w21162/w21162.pdf)

Week 12 (May.19): No class: National holiday

Week 13 (May.26): Evaluating Equilibrium Exchange Rates

[IMF External Sector Reports](https://www.imf.org/en/Publications/SPROLLs/External-Sector-Reports#sort=%40imfdate%20descending)

[IMF External Balance Assessment Methodology](https://www.imf.org/en/Publications/WP/Issues/2019/03/19/The-External-Balance-Assessment-Methodology-2018-Update-46643)

Week 14 (Jun.2): Current Policy Issues on Exchange Rates

Week 15 (Jun.9): **Research Proposal Presentation II (preliminary analysis stage)**

1. Last revised on Feb.26, 2021. The syllabus is subject to change in accordance with the change in SNU academic policy. [↑](#footnote-ref-1)
2. Lectures will be conducted via a real-time online lecture until further notice ([a](https://snu-ac-kr.zoom.us/j/440730166) link to join the meeting can be found in eTL). [↑](#footnote-ref-2)