**Exchange Rates and International Macroeconomics**

**Professor: Rhee, Yeongseop**

**Class hours: Tuesday 14:00-17:00**

**Office hours: by appointment**

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**Course Description:**

This course is designed to provide a basic understanding of the linkage between the domestic and foreign economies through capital flows and to explain international macroeconomic policies to handle problems arising from the linkage. Today, all economies are open and greatly influenced by other foreign economies. Thus we have to understand how an economy fits into the world economy.

The domestic economy is linked to foreign economies through international trade and international financial transaction. This course focuses on the second part and is interested in economic phenomena such as capital movements, exchange rates, interest rates, and at their relations with macroeconomic policies.

**Course Format:**

This course will combine regular lectures with students’ presentations (and maybe special lectures). Around two thirds of the semester will be spent for the lectures and the other for students’ presentations.

* Students are expected to make two presentations: one individual presentation and one group presentation on research topics related with subjects covered in class. Group presentations are debates between two groups. Students are required to submit the PPT files after each presentation.
* Each week students are required to submit two-page weekly report before class, which includes a brief of and students’ own comments on reading materials assigned for the week.

**Textbooks and Course Materials:**

There is no specific textbook for the course and the lectures will be based on lecture notes. Lecture notes and course reading materials will be posted on eTL before class begins.

* Lecture notes (PPT files)
* Copeland, Laurence S. (2008), Exchange Rates and International Finance (Pearson Education Limited: Prentice Hall)
* Dornbush, R. (1980), Open Economy Macroeconomics (Cambridge University Press)
* Obstfeld, M. and K. Rogoff (1996), Foundations of International Macroeconomics (MIT Press)
* Appleyard, D.R., A.J. Field Jr., and S.L. Cobb (2007), International Economics 6th ed. (McGraw-Hill/Irwin)
* Krugman, P., M. Obstfeld and M. Melitz (2018), International Economics: Theory and Policy (Pearson)
* Hallwood, P. and R. MacDonald (2007), International Money and Finance (Blackwell)
* Eun, C.S. and Resnick, B.G. (2008), International Financial Management (McGraw-Hill/Irwin Series in Finance, Insurance and Real Estate)
* IMF, Global Financial Stability Report (various issues)
* IMF, Annual Report (various issues)
* BIS, Annual Report (various issues)

Course materials will be posted on the website (eTL) before class begins. Besides the textbooks, students are required to read materials assigned every week and encouraged to read other relevant materials.

**Evaluation:**

* Presentations and weekly reports: 50%
* Exam: 50%
* Class attendance and participation: (bonus)

**Course Schedule:**

The lecture is broadly divided into five parts. The first part is to understand basics of international transaction including balance of payments, foreign exchange market and parity conditions. The second part introduces one of the most key tools to link domestic and foreign economies, Mundell-Fleming model. The third part covers issues related to exchange rates such as exchange rate determination and forecasting and foreign exchange market intervention. The fourth part explains international monetary cooperation at a global and regional level. The last part deals with other issues related to international money and finance. After completing lectures, the remaining weeks will be spent for students’ individual presentations and group discussions.

Week 1: Introduction

- Copeland Ch.1

Week 2: Basics: Balance of Payments, FX Markets, International Parity Conditions

- Copeland Ch.1 – Ch.3; Krugman et al. Ch.13; Eun and Resnick Ch.5

Week 3: Basics of Mundell-Fleming Model

- Appleyard et al. Ch.25 – Ch.27; Krugman et al. Ch.17 – Ch.19

Week 4: Application of Mundell-Fleming Model

- Appleyard et al. Ch.25 – Ch.27; Krugman et al. Ch.17 – Ch.19

Week 5: Exchange Rate Determination and Forecasting

- Copeland Ch.5, Ch.7, Ch.8, Ch.13, and Ch.14:

Hallwood and MacDonald Ch.12 and Ch.13; Eun and Resnick Ch.6

Week 6: Exchange Rate System and Foreign Exchange Market Intervention

- Krugman et al. Ch.18 – Ch.19; Eun and Resnick Ch.2

Week 7: Regional Monetary and Financial Cooperation

- Krugman et al. Ch.21: Copeland Ch.11

Week 8: International Financial Crises

- Copeland Ch.18; Krugman et al. Ch.20 and Ch.22: Other Reading Materials

Week 9: Finance and Economic Development

- Krugman et al. Ch.22: Other Reading Materials

Week 10: Exam

Week 11 – Week 13: Individual Presentations

Week 14 – Week 15: Group Discussions