

International Macroeconomic Theory (Econ 713/2)

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Fall 2012

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1 Objectives

The purpose of this course is to give the student a theoretical foundation in international macroeconomics. We construct a basic general equilibrium model of the economy to analyze the determination of the exchange rate, the trade balance, inflation, and output. We analyze both full employment and unemployment and emphasize the role of policy in stabilization of both unemployment and inflation. We consider the economic system under both flexible and fixed exchange rates.

2 Text

The text is called **The Macroeconomics Book** and is free. It was written by me and is posted on my website (see above for the URL). You should plan to read each chapter at least once before the lecture and at least once after the lecture. After multiple readings, it will make a lot more sense.

There are many excellent text books available. I have not assigned a text because they are very expensive and our number of classes is small. If you would like to purchase or consult a text, the following is good: N. Gregory Mankiw, *Macroeconomics*, 7th Edition, Worth Publishers.

3 Approach

The course is a series of lectures. Class discussion is encouraged and questions are very welcome.

4 Requirements

The grade will depend on the following:

1. **daily group quizzes** done in groups of 3 (all together, they count 15%)
2. **one homework** (counts 15%)

3. **a midterm quiz** (counts 20%)

4. **Final Exam** (counts 50%).

Participation in class is encouraged, but it will not affect your grade. *In the end, the grade you earn in this class will be averaged with the grade you earn in Econ 713/1.*

Attendance is required.

Grade Scale

Your grades may or may not be curved. After the curve, if your grade is G , then the following determines the letter grade:

A if $90 \leq G$

B+ if $86 \leq G < 90$

B if $80 \leq G < 86$

C+ if $76 \leq G < 80$

C if $70 \leq G < 76$

D+ if $66 \leq G < 70$

D if $60 \leq G < 66$

Late Homework and Missed Quizzes

Homework is due **before class** on the day indicated below. If your homework is late, it will be marked down by 10 points (on a 100-point scale) for each day (or fraction thereof) it is late.

Missed daily quizzes **cannot be made up** – your grade for that quiz is zero. I will, however, only count the 8 best grades (that is, you get one free pass). If you miss the midterm quiz, and have a valid excuse, you may make it up **at 4:00 PM on the day of the Final Exam**. Non-excused missed quizzes cannot be made up and will receive a grade of zero.

5 Laptop and Mobile Phone Policy

There is mounting evidence that use of laptop computers (including iPads, netbooks, etc.) in class reduces comprehension, analytical ability, and grades. As a result, **laptops will not be allowed in class**. Texting and other electronic communication in class is also **not allowed**.

6 Course schedule and outline

I will try to keep to the following schedule. It will be very useful (as noted above) to read the chapters several times before and after each lecture.

Summer Session

1. July 2: Chapter 1. Introduction. National income, the balance of payments, and the exchange rate.

2. July 6: Chapter 2. Basic model of an open economy.

Fall Session

1. October 3: Chapters 2 & 3. Economy with full employment and a flexible exchange rate.
2. October 8: Chapters 3 & 4. Inflation, depreciation, and interest parity.
3. October 10: Chapter 5: Short-run, disequilibrium model under a flexible exchange rate. Unemployment and recession.
4. October 16: Chapter 5. (Continued...). **Homework Due.**
5. October 22: Chapter 6. Fixed exchange rates. **Midterm Quiz**
6. October 24: Chapter 7. Monetary problems.
7. October 26: Chapter 8. Gold standard and monetary history.
8. October 26: **Optional Review Session** 5:30 - 7:00 (Room TBA).
9. October 29: **Final Exam.** The exam will be given from 9:00 to 12:00.