

Macroeconomic Policy and International Financial Regulation (revised)

1. INTRODUCTION

This course surveys international macroeconomics, with special reference to international monetary policy and international financial market architecture. Topics include the structure of international financial markets; the role of central banks; exchange-rate systems; the determination of balance of payments and exchange rates; macroeconomics of open economies; policy analysis for open economies; policy coordination; the International Monetary Fund; and financial crises.

The aim of this course is to provide an analytical background for those who plan to go into government service, international organizations and agencies, businesses involved in the global economy, nongovernmental organizations with international foci, and consulting firms analyzing international policy issues.

Only those who are comfortable with algebraic and graphical analysis should enroll in this course. It requires sustained immersion in relevant economic theory, and does not present a primarily descriptive or historical approach.

2. OFFICE HOURS

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Updated information will be posted on the course website,
http://www.ssc.wisc.edu/~mchinn/web854_fl16.html ,
and at Learn@UW for restricted material

3. SCHEDULE AND READINGS

The required textbook are chapters from Chinn-Irwin *International Economics* [draft], online at Learn@UW. The recommended textbook is Caves, Frankel and Jones, *World Trade and Payments*, 10th Edition (Addison-Wesley Longman, 2006) available at the University Bookstore. Additional required readings will be assigned during the semester from the Web. You will also be expected to read news articles related to current events, in either Reuters, Bloomberg, *New York Times* or the *Economist*. In addition, I will refer to the following weblog for current macroeconomic commentary: <http://www.econbrowser.com> .

LEC.	DATES	CFJ	CI	WEB	TOPICS
1	9/7			WEO	Intro
2	9/12	15	9		Balance of payments accounting
3-4	9/14-19	16.1-2,	10	BIS	Foreign exchange market
5-6	9/21-26	17.1-4	11	Elast	Keynesian model; multipliers
7-8	9/28-10/3	17.5-6, 18.1-2	11		Large country effects; transmission of effects
9-12	10/5-17	18.3,22.	12	OECD	Mundell-Fleming, fixed exchange rates
10	10/10				MIDTERM 1
13-15	10/19-26	23	13		Mundell-Fleming, floating exchange rates
16-17	10/31-2	26.1	14	ADAS	Aggregate demand/aggregate supply
18	11/7				MIDTERM 2
19	11/9				Summarizing ISLM, ADAS
20	11/14			CC-LM, Br.	Banks in IS-LM
21-22	11/16-21	27.2,4-6, 28	15	Bub.,PP, Hu	Monetary models of exchange rates
23	11/23				No meeting
24-25	11/28-11/30	24	16	Fr.	Emerging market financial crises
26-29	12/5-14		17		Global Financial Crisis/Euro area crisis

Web Required Readings

- WEO: IMF, *World Economic Outlook update* (July 2016).
- BIS: BIS, *Triennial Central Bank Survey: Report on global foreign exchange market activity in 2013* (Basel, December 2013).
- Elast. Notes on the Elasticities Approach
- OECD: Hervé, K. et al., 2010, "The OECD's New Global Model", *OECD Economics Department Working Papers*, No. 768 (Paris: OECD, September).
- ADAS: Notes on AD/AS
- CCLM: Notes on CC-LM
- Br: Deciphering the Liquidity and Credit Crunch, 2007-2008," *Journal of Economic Perspectives* 23(1) (Winter 2009).
- Bub: Notes on Bubbles
- PP: M. Pakko and P. Pollard, 2003, "Burgernomics: a big Mac guide to purchasing power parity," *Federal Reserve Bank of St. Louis Review* 85(6): 9-28.
- Hu: M. Hutchison, 2003, "Is official foreign exchange intervention effective," *FRBSF Economic Letter* 2003-20 (July 18).
- Fr: J. Frankel, 2003, "Experience of and lessons from exchange rate regimes in emerging economies," mimeo (Cambridge: Harvard University, September).

4. GRADING

Letter grading is determined as follows:

- 10% Problem sets
- 50% Two midterm exams (25% each)
- 40% Term paper

There will be no make-up midterm exams. Missed midterm exams will increase accordingly the weight assigned to the other midterm and the term paper. Assignments will be handed into me in lecture on the indicated date. Late assignments will not be accepted for credit. Although the problem sets do not constitute a large portion of the grade, I strongly encourage you to do the assignments in a timely and serious fashion. The problem sets provide valuable information regarding your grasp of the concepts.

5. THE TERM PAPER

A 15 page term paper will be due at the end of the semester. The paper will be structured as a memo written for a policymaker. You will have latitude in terms of the choice of topic. However, I will be able to give you more guidance on certain topics than others. Additional details regarding this assignment, along with suggested readings, will be provided later in the term.

6. LEARNING GOALS

I. Knowledge

- A. Students will demonstrate understanding of major current and past policy debates, research findings, and analytical methodologies in macroeconomics and international finance.
- B. Students will demonstrate critical thinking skills. They will retrieve and examine the policy literature and evaluate evidence for and against hypotheses, identify knowledge gaps, strengths and weaknesses in existing literature, synthesize knowledge, and develop conclusions.

II. Applied Research

- A. Students will read, comprehend, and effectively summarize policy research and policy-relevant academic research.
- B. Students will effectively summarize data for a policy audience.

III. Communication

- A. Students will communicate in clear written language: a real-world policy problem, relevant scholarly studies and practical applications, a policy-analytic method to investigate the problem, and client-oriented advice to mitigate the problem.
- B. Students will communicate substance of point A highly concisely and in language understandable to a non-specialist.