Perhaps more than ever before, an international perspective is required to address the fundamental questions of macroeconomics. What determines the level of economic activity in an economy? What determines the pace of economic growth? What are the effects of monetary and fiscal policy? An international perspective not only improves understanding of these familiar questions, but it also allows one to consider important new questions. For instance, why do some countries run trade deficits or surpluses? Should such imbalances concern policymakers? Why do some countries encounter financial crises? What is the proper response to these crises?

Further, countries differ a great deal in terms of their exposure to the international economy, their level of economic development, their size, and their institutions. These differences are important for understanding how their economies function as well as the likely effects of macroeconomic policies.

In this course, we will build a framework that allows us to address the many interesting questions of international macroeconomics. In this context, several important topics will be discussed, including the following.

- What role do monetary and fiscal policy have in open economies?
- Is there a need for new international financial institutions?
- What are the merits of European Monetary Union?
- What are the tradeoffs between fixed and flexible exchange rates?
- What can account for financial crises?

**Reading:** You should purchase Krugman and Obstfeld, 9th edition. Substantial additional material will come from other sources on reserve. When possible, materials are on e-reserve, but a few readings are only available as hard copies.

**Office Hours:** I will hold regular office hours on Tuesdays from 9-10 am, and on Wednesdays from 10 am-noon. You can also reach me by email to schedule other times.

**Requirements:** Evaluation will be based on problem sets, a midterm exam, a final exam, a group presentation, and participation in discussion. Mark the following days in your calendar.

- **Midterm Exam:** March 12
- **Problem Sets Due:** February 12, March 5, April 9
- **Presentations:** April 7, 16 and 28 (one date as presenter, two as participant)
- **Final Exam:** Thursday, May 14, 1-4 pm

In fairness to other students, late assignments will be penalized at a rate of 10% per class day. Exceptions may be made in the event of unforeseen circumstances; these should be discussed with me at the earliest possible time.
Course Outline and Readings

Readings marked with an * are optional.

**Introduction** (January 27)


**National Income Accounting and the Balance of Payments** (January 29)

Krugman and Obstfeld, c.13

**Intertemporal Trade and the Current Account** (February 3)


**Current Account Imbalances** (February 5)


**Exchange Rates and Money** (February 10, 12, and 17)

Krugman and Obstfeld, c. 14, 15


Problem Set due February 12
**Prices and Exchange Rates in the Long Run** (February 19)

Krugman and Obstfeld, c.16


**Output and Exchange Rates in the Short Run** (February 24, 26 and March 3)

Krugman and Obstfeld, c.17


**Fixed Exchange Rates and Foreign Exchange Intervention** (March 5 and 10)

Krugman and Obstfeld, c.18, pp 463-484

**Problem Set due March 5**

**Midterm Exam: March 12**

**Currency and Financial Crises** (March 17)


**The International Monetary System in History** (March 19)

Krugman and Obstfeld, c.18, pp 484-493 and c. 19, pp 504-529


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**Spring Break: March 24 and 26**

**Fixed v. Flexible** (March 31 and April 2)

Krugman and Obstfeld, c.19, pp 529-548


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**Conference 1: Should China Peg Its Currency?** (April 7)


**European Monetary Union** (April 9 and 14)

Krugman and Obstfeld, c.20

Main EU web site: [http://europa.eu/](http://europa.eu/)

Problem Set due April 9


**Conference 2: Would Greece Have Been Better Off Exiting the Euro?** (April 16)

And search Economist.com for recent articles on Greece.

See various blog posts especially Krugman’s posts on Greece and voxeu blog.
http://www.voxeu.org/debates/has-austerity-gone-too-far
http://krugman.blogs.nytimes.com/?s=greece


**Proposals for International Reform** (April 21)


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**Conference 3: Is Capital Too Mobile? (April 28)**


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**Developing Countries and Debt** (April 30)

Krugman and Obstfeld, c.22
