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, 10th 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 Wednesdays from 10:30-12:30 and on Fridays from 9-10am. 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 9
- Problem Sets Due: February 9, March 2, April 13
- Presentations: April 6, 18 and 25 (one date as presenter, two as participant)
- Final Exam: Monday, May 8, 9am to noon

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 24)


**National Income Accounting and the Balance of Payments**  (January 26)

Krugman and Obstfeld, c.13

**Intertemporal Trade and the Current Account**  (January 31)

Krugman and Obstfeld, p. 135-138 and p. 142-144.


**Current Account Imbalances**  (*February 5*)

*Note special Sunday class (at 1:30pm, same place) in lieu of Thursday class.*


**Exchange Rates and Money**  (February 7, 9, and 14)

Krugman and Obstfeld, c. 14, 15


**Problem Set due February 9**

**Prices and Exchange Rates in the Long Run** (February 16)

Krugman and Obstfeld, c.16


See interactive tool and data: http://www.economist.com/content/big-mac-index


**Output and Exchange Rates in the Short Run** (February 21, 23, and 28)

Krugman and Obstfeld, c.17


**Fixed Exchange Rates and Foreign Exchange Intervention** (March 2 and 7)

Krugman and Obstfeld, c.18, pp 495-517

**Problem Set due March 2**

**Midterm Exam: March 9**

**Spring Break: March 14 and 16**
Currency and Financial Crises (March 23)

Note no Tuesday class this week.

Krugman and Obstfeld, c.22, p.688-696.


The International Monetary System in History (March 28)

Krugman and Obstfeld, c.18, p 518-526 and c. 19, p.538-567


Fixed v. Flexible (March 30 and April 4)

Krugman and Obstfeld, c.19, p 568-587, p 594-596.


Conference 1: Should China Peg Its Currency? (April 6)

Krugman and Obstfeld, c.22, p.700-702.


European Monetary Union (April 11 and 13)

Krugman and Obstfeld, c.21

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

Problem Set due April 13


Conference 2: Would Greece Have Been Better Off Exiting the Euro? (April 18)

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 20)

Krugman and Obstfeld, c.22, p.696-700, p.703-708.


**Developing Countries and Debt** (April 27)

Krugman and Obstfeld, c.22, p.670-688.
