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 policy makers? 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 9:30 to 11 and on Fridays from 1:30 to 3. 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: October 17
- Problem Sets Due: September 19, October 3, November 7
- Presentations: November 14 and 26; December 5
- Final Exam: TBA (Do not book finals week travel before announcement.)

In fairness to other students, late assignments will be penalized at a rate of 5% per calendar 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 (September 3)


National Income Accounting and the Balance of Payments (September 5)

Krugman and Obstfeld, c.13

Intertemporal Trade and the Current Account (September 10)

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


Current Account Imbalances (September 15)  
*Note special Sunday class in lieu of Thursday class.*


“Germany’s Current Account Surplus is a Problem.” *The Economist*. 11 February 2017.

Exchange Rates and Money (September 17, 19, and 24)

Krugman and Obstfeld, c. 14, 15


**Prices and Exchange Rates in the Long Run** (September 26)

Krugman and Obstfeld, c.16

“Pick of the Menu: the Big Mac index shows currencies are very cheap against the dollar.” 2019. The Economist. 12 January.

See interactive tool and data.


**Output and Exchange Rates in the Short Run** (October 1, 3, and 8)

Krugman and Obstfeld, c.17


Fixed Exchange Rates and Foreign Exchange Intervention (October 15 and 29)

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

Midterm Exam: October 17

Fall Break: October 22 and 24

Currency and Financial Crises (October 31)

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


The International Monetary System in History (November 5)

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


**Fixed v. Flexible** (November 7 and 12)

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


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**Conference 1: Should An Emerging Economy Peg Its Currency? (November 14)**

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


European Monetary Union (November 19 and 21)

Krugman and Obstfeld, c.21

Browse EU web site and within, the Euro site; also, the European Central Bank site.


Conference 2: Should Greece Have Left the Euro? (November 26)


Proposals for International Reform (December 3)

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


Conference 3: Is Capital Too Mobile? (December 5)


Developing Countries and Debt (December 10)

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

“Countries Rarely Default on Their Debts”. The Economist. 19 December 2017.
