

**INTERNATIONAL MACROECONOMICS**

**MW 2:30-4:20**

**LOW 101**

**Instructor:** Michelle Turnovsky (mturn@uw.edu)

**Office Hours:** TBA

**Course Web Page:** Check regularly for announcement in the canvas course page

**Course Overview:**

The material studied in this course concentrates primarily on international macroeconomics although some basic international finance will also be covered. *A good background in intermediate macro (Econ 301) is essential for understanding the various open economy models presented in the course.* The basic issues that will be investigated are the following: we will try to figure out the impact of international transactions on the main macroeconomic variables, e.g., output, price level, interest rates, etc. in an open economy; we will want to find out how effective fiscal and monetary policies are in an open economy; and finally, how exchange rate arrangements, fixed or flexible, will affect macroeconomic policy. Special topics with an historical content, like the European Monetary Union and financial crises, will be broached.

The course will have the following sequence. First, the balance of payments and the foreign exchange market are presented. Then the international monetary arrangements are studied. The rest of the course covers the various open economy models; the Keynesian model, the monetary approach, and the Mundell-Fleming model. Finally, we look at various historical developments.

**Textbook:** International Macroeconomics: Eicher, Mutti, and Turnovsky 7<sup>th</sup> ed. Routledge  
Chapters will be made available on the Canvas page – you can also get a paper copy from Amazon.

**Course Outline:**

- 12 Balance of payments – exchange rates
- 13 Fundamentals of exchange rate systems
- 14 A simple model of the small open economy
- 15 Extensions of the basic open economy model
- 16 International capital markets
- 17 Modeling international capital markets
- 18 The Mundell-Fleming model under fixed exchange rates
- 19 The Mundell-Fleming model under flexible exchange rates
- 20 The long run: PPP and dynamics
- 21 History of the international monetary system
- 22 The European monetary integration
- 23 Financial crises

# INTERNATIONAL MACROECONOMICS ECON 472

## COURSE REQUIREMENTS

**NOTE:** All the material you need to download from the course web page is protected and restricted to the students registered in the class. You will be given the relevant information in order to open and download the files during the first day of class.

**READINGS:** In addition to the textbook chapters, further current compulsory readings will be assigned. They can be downloaded from the protected course web page. You are also advised to read the Economist and the Financial Times where current issues in international trade and finance are analyzed as they occur.

**ASSIGNMENTS:** There will be 4 to 5 assignments during the quarter (the questions will be assigned one week ahead).

**REVIEW PROBLEMS:** Review problems (RP) are assigned before an exam and explained in the class just prior to the exam. RP are not handed in by the students nor are they corrected/graded.

**EXAMS:** The tests will consist in short answer questions, problems, analytical questions, and short essay questions on the readings.

**GRADE:** The following weighting will be applied:

Assignments:	10%
Exams and quizzes:	90%

**REMARK:** If you have any difficulty with the material or any problem, feel free to contact your instructor because the material covered in this course becomes more complex overtime and is based on your overall understanding from week to week. It is thus essential to do the reading assigned in the textbook on a regular basis and to work out the practice problems.

**PREREQUISITES:** Econ 300 and 301 (intermediate Micro and Macro) or consent of the instructor. **A strong background in macroeconomic theory at the intermediate level is essential.** You do not need to have taken International Trade (Econ 471) as a background for this course.

### ***Academic Integrity***

*Academic integrity is the cornerstone of the Department's rules for student conduct and evaluation of student learning. Students accused of academic misconduct will be referred directly to the Office of Community Standards and Student Conduct for disciplinary action pursuant to the Student Conduct Code and, if found guilty, will be subject to sanctions. Sanctions range from a disciplinary warning, to academic probation, to immediate dismissal for the Department and the University, depending on the seriousness of the misconduct. Dismissal can be, and has been, applied even for first offenses. **Moreover, a grade of zero can be assigned by the instructor for the course.***

**TO ENSURE PROPER UNDERSTANDING OF THE MATERIAL COVERED IN CLASS,  
PREREQUISITES MUST BE RESPECTED**