

USC Dornsife

Dana and David Dornsife
College of Letters, Arts and Sciences

ECON 521: INTERNATIONAL MACROECONOMICS AND FINANCIAL POLICY

INSTRUCTOR: Jaime Meza-Cordero, Ph.D.

EMAIL: Jaime.Meza@usc.edu

OFFICE: KAP 116E

OFFICE HOURS: Tuesdays: 10:00am - 12:00noon.

Outlook appointments via email are requested to book 20-minute time slots.

TEACHING ASSISTANT: TBD

EMAIL: TBD

OFFICE HOURS: TBD

SECTION: 26189D

CLASSROOM: GFS 101

CLASS DAYS AND TIMES: Tuesdays & Thursdays: 4:00pm – 5:20pm

CLASSROOM POLICY: Smartphones must be on silent mode and placed away during class. Laptops and tablets may be used only to take notes or to refer to course materials. Every student is expected to pay attention during class and can be asked to participate at any time.

RECOMMENDED TEXTBOOKS:

- Daniels, J. & VanHoose, D. (2005). International Monetary & Financial Economics. South-Western. ISBN: 0324261608
- Lipschitz, L. & Schandler, S. (2019). Macroeconomics for Professionals. Cambridge University Press. ISBN: 1108449832
- Krugman, P. R., Obstfeld, M., Melitz, M., Krugman. (2011). International Economics. 9th ed. United Kingdom: Prentice Hall PTR. ISBN: 0132146657
- Rivera-batiz, F.L., & Rivera-Batiz, L.A. (1994). International Finance and Open Economy Macroeconomics. 2nd ed. Prentice Hall. ISBN: 0024005819
- ***Additional readings will be posted on Blackboard.***

COURSE OVERVIEW: International macroeconomics studies the nature, causes, and fallouts from interactions between open economies. These phenomena affect individual and business everyday decisions as well as government policy. The overarching goal of this course is to gain competency in open economy macroeconomics. The course will cover relevant theory as well as practical applications from current global events. The course will focus on main international macroeconomics topics such as trade, international payments and exchange rates, the international financial system and financial instruments, the balance of payments, open economy policy, regional integration, and multinational policymaking.

The first part of the course will consist of international trade, payments, and trade balance. We will then cover the international financial system, interest yields, and financial assets. This will be followed by the balance of payments and an empirical analysis of a country's health from an open economy perspective. The second part of the course will focus on the policy aspects of international macroeconomics. We will cover regional integration of markets, as well as multinational policymaking and an empirical analysis of global contagion and exchange rate crisis. As these topics are covered, we will discuss case studies and develop student presentations to learn about current events, policies being implemented, and their outcomes.

My main goal in delivering this course is to train you and familiarize you with the theory and challenges associated with open economies. I have structured the course in a way that you learn the most relevant models, understand practical techniques, and develop individual and team research skills. International macroeconomics is a crucial field for ensuring global growth and stability. It also serves as a great background for a variety of careers in business, finance, trade, and social sciences. I encourage you to attend and participate in class as we all learn together and build strong collaborative skills. I also suggest that you take advantage of the office hours to answer any remaining questions and to discuss further any topics of interest to you.

PARTICIPATION AND COMMUNICATION: You are expected and strongly encouraged to attend all scheduled classes, to engage in asking questions, and to participate in discussions. It is recommended to read the chapters that are going to be covered each week beforehand. If you do not attend a class, it is your responsibility to make arrangements to ensure you catch up on the material covered and on any other information provided. Lectures, announcements, problem sets, and additional resources will be posted on Blackboard. Blackboard will also be used for official submissions.

Email is the best way to contact me for any material clarification questions or administrative requests. If any material is unclear, please schedule an office hour time slot with me by sending me an email with an Outlook calendar meeting invite.

PROBLEM SETS: Four problem sets will be assigned as homework. The problem sets will be uploaded one week in advance of the due date. You may discuss problem sets with your classmates, but you must solve, write up, and submit solutions entirely on your own. You need to upload your solved problem before the deadline listed on Blackboard. Do not wait until the last hour to upload. The answer key is posted automatically after the deadline.

Late submissions will be automatically rejected by the submission portal and will receive a score of zero. To request a problem set to be waived due to an unforeseen medical illness or emergency, you must submit to the professor and TA a valid notice with your name on it and from a third party within a week of the deadline. No self-reported medical notices or self-taken tests will be accepted as valid proof.

RESEARCH ASSIGNMENT: Each student is required to work on a research assignment previously discussed and approved by the professor. (5 pages main text + appendices) and deliver a 20-minute presentation. The research paper and presentation combined are worth 20% of the final grade. Presentations must be scheduled with the professor and will take place during the classes. Late submissions will not be scored.

Appropriate Data Sources Include:

- U.S.: The FRED database at the St. Louis FED <http://research.stlouisfed.org/fred2>
 - EU: Eurostat: <http://ec.europa.eu/eurostat/data/database>
 - Euroarea: www.eabcn.org
 - OECD: <http://stats.oecd.org>
 - International Monetary Fund <http://data.imf.org>
 - World Bank World Development Indicators: <http://data.worldbank.org/>
 - Penn World Tables at the Center for International Comparisons at the University of Pennsylvania <http://pwt.econ.upenn.edu>
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MIDTERM AND FINAL EXAMINATIONS: There is a midterm examination (30% of the final grade) and one cumulative final exam (30% of the final grade). All responses must be answered independently and within the time limit indicated. Students with valid and approved proof for missing the midterm exam can request the final exam to be reweighted (60% of the final grade). Students with a valid reason for missing the final exam can request an *Incomplete* at the Department of Economics.

Missing the midterm exam without valid and approved proof of missing an examination will receive a score of zero. A valid proof must provide evidence of a medical illness or emergency (characterized by severe and unforeseen hardship and substantiated with documentation, as required by the University). The documentation must come from a third party and must have your name on it. No self-reported medical notices or self-taken tests will be accepted as valid proof for missing the midterm exam.

ACADEMIC INTEGRITY: Cheating on your assignments or exams (for example, copying someone else's work) will result in a score of zero. Violations will also be reported to the University Authorities, and sanctions will be enforced in accordance Section 11 of the USC Student Handbook.

GRADING: Your plus/minus letter grades will be assigned using a cumulative score based on four problem sets (homework assignments), two midterm exams, a final exam, and a research assignment, weighted as follows:

Problem sets: 20% (5% each)

Midterm exam: 30%

Research assignment: 20%

Final exam: 30%

Final grades will be assigned based on the following scale:

A	95-100
A-	90-94
B+	87-89
B	83-86

B-	80-82
C+	77-79
C	73-76
C-	70-72
D+	67-69
D	63-66
D-	60-62
F	59 and below

STATEMENT ON ACADEMIC CONDUCT AND SUPPORT SYSTEMS

Academic Conduct:

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in SCampus in Part B, Section 11, “Behavior Violating University Standards” policy.usc.edu/scampus-part-b. Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on scientific misconduct, policy.usc.edu/scientific-misconduct.

Support Systems:

Student Health Counseling Services - (213) 740-7711 – 24/7 on call
engemannshc.usc.edu/counseling

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call
suicidepreventionlifeline.org

Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, seven days a week.

Relationship and Sexual Violence Prevention Services (RSVP) - (213) 740-4900 – 24/7 on call
engemannshc.usc.edu/rsvp

Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

Office of Equity and Diversity (OED) | Title IX - (213) 740-5086
equity.usc.edu, titleix.usc.edu

Information about how to get help or help a survivor of harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants. The university prohibits discrimination or harassment based on the following protected characteristics: race, color, national origin, ancestry, religion, sex, gender, gender identity, gender expression, sexual orientation, age, physical disability, medical condition, mental disability, marital status, pregnancy, veteran status, genetic information, and any other characteristic which may be specified in applicable laws and governmental regulations. The University does not tolerate any form of discrimination, sexual misconduct, and harassment. Any incident should be reported to the Office of Equity and Diversity or to the Department of Public Safety. Another member of the USC community (friend, classmate, advisor, faculty) can help initiate a report. The Office of Relationship and Sexual Violence Prevention Services

provides “immediate therapy services for situations related to gender and power-based harm (sexual assault, domestic violence, stalking).”

Bias Assessment Response and Support - (213) 740-2421

studentaffairs.usc.edu/bias-assessment-response-support

Avenue to report incidents of bias, hate crimes, and microaggressions for appropriate investigation and response.

The Office of Disability Services and Programs - (213) 740-0776

dsp.usc.edu

Support and accommodations for students with disabilities. Services include assistance in providing readers/notetakers/interpreters, special accommodations for test taking needs, assistance with architectural barriers, assistive technology, and support for individual needs. Students requesting academic accommodations based on disability need to register with DSP early in the semester and deliver a letter of verification to the professor at least one week before the first midterm exam.

USC Support and Advocacy - (213) 821-4710

studentaffairs.usc.edu/ssa

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

Diversity at USC - (213) 740-2101

diversity.usc.edu

Information on events, programs and training, the Provost’s Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call

dps.usc.edu, emergency.usc.edu

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call

dps.usc.edu

Non-emergency assistance or information.

COURSE OUTLINE:

(THE COURSE OUTLINE IS SUBJECT TO CHANGE CONTINGENT ON THE PROGRESS MADE DURING THE LECTURES. PLEASE REFER TO THE LATEST UPDATE OF THE SYLLABUS ON BLACKBOARD.)

DATE	CONTENT	BOOK & CHAPTER
Tuesday January 9 th	Class Overview and Intro	Syllabus
Thursday January 11 th	Trade Flows	<i>Daniels 1</i>
Tuesday January 16 th	Capital Flows	<i>Daniels 1 - Lipschitz 7</i>
Thursday January 17 th	Balance of Payments	<i>Daniels 1 – Krugman 2</i>
Tuesday January 23 th	Case Study: Twin Deficits	
Thursday January 25 th	Foreign Currency Markets	<i>Daniels 2 – Krugman 3</i>
Tuesday January 30 th	Purchasing Power Parity	<i>Daniels 2 – Krugman 5</i>
Thursday February 1 st	Historic Exchange Rate Systems	<i>Daniels 3 P.S.#1 Posted</i>
Tuesday February 6 ^h	Modern Exchange Rate Systems	<i>Daniels 3</i>
Thursday February 8 th	Case Study: Exchange Crisis	<i>P.S.#1 Due</i>
Tuesday February 13 th	Financial Markets	<i>Daniels 4</i>
Thursday February 15 th	Interest Yields and Derivatives	<i>Daniels 5 P.S.#2 Posted</i>
Tuesday February 20 th	Case Study: Global Great Recession	
Thursday February 22 nd	Midterm Exam Preparation	<i>P.S.#2 Due</i>
Tuesday February 27th	Midterm Exam	
Thursday February 29 th	Midterm Review	
Tuesday March 5 th	International Banking	<i>Daniels 6 – Lipschitz 6</i>
Thursday March 7 th	Interest Parity Relation	<i>Daniels 7</i>
Tuesday March 12th	Spring Break – No Class	
Thursday March 14th	Spring Break – No Class	
Tuesday March 19 th	Economic Policy with Fixed Exchange Rates	<i>Daniels 11 P.S.#3 Posted</i>
Thursday March 21 st	Economic Policy with Flexible Exchange Rates	<i>Daniels 12</i>
Tuesday March 26 th	Case Study: Dollarization	<i>P.S.#3 Due</i>
Thursday March 21 st	Policy Trilemma	<i>Krugman – 8</i>
Tuesday April 2 nd	Economic Integration	<i>Daniels 14</i>
Thursday April 4 th	Multilateral Policymaking	<i>Daniels 15 P.S.#4 Posted</i>
Tuesday April 9 th	Case Study: Euro Crisis	

Thursday April 11 th	Student Presentations - Argentina	<i>P.S.#4 Due</i>
Tuesday April 16 th	Student Presentations - Japan	
Thursday April 18 th	Student Presentations - OECD	
Tuesday April 23 rd	Student Presentations - LDCs	
Thursday April 25 th	Final Exam Preparation	<i>Research Paper Due</i>
May 2nd 4:30-6:30pm	Final Exam	
