University of Maryland
Master of Professional Studies in Applied Economics
1400 16th St. NW, Suite 140, Washington, DC
Syllabus for ECON 683: International Macroeconomics and Finance, Fall 2016

Administrative

You are responsible for reading in detail this syllabus; also, please note that any changes in the syllabus that may occur during the term will be announced via ELMS and an updated version of the syllabus will be posted on the course webpage.

Professor: Brendan Epstein, Ph.D.
Email: bepstei7@umd.edu
Class time: Wednesdays 6:45 pm – 9:30 pm. (There will be a 15 minute break each class at some point between 7:45 and 8:30).
Office hours: 30 minutes before class every class meeting, and by appointment.

Teaching Assistant: Hidehiko Matsumoto (Hide – "He-Day").
Email: DCastersTA@econ.umd.edu
Office Hours: One day per week from 3 pm to 7 pm. The office hours will _not_ be on the same day each week. The schedule of Fall office hours is posted on the program's general ELMS page. Hide will also send weekly reminders as an ELMS announcement every Sunday evening.

Course Website: Copies of the course syllabus, your grades, and other relevant links and documents will be posted on the course's ELMS website. You can access the site via www.elms.umd.edu. You will need to use your University of Maryland "directory ID" and password. **All course materials will be posted under the "syllabus" tab in the course's ELMS website. Please take diligent time as soon as possible to familiarize yourself with the layout of the "syllabus" tab.**

NOTES:

The University has adopted email as the primary means of communication outside the classroom, and I will use it to inform you of important announcements. Students are responsible for updating their current email address via http://www.testudo.umd.edu/apps/saddr/ AND for paying attention to messages I send to the class. Failure to check email, errors in forwarding email, and returned email due to "mailbox full" or "user unknown" will not excuse a student from missing announcements or deadlines.

If you require any type of special accommodations, please let me know by no later than the end of the second class so that there is sufficient time to plan ahead for your needs. Please see the last section of this syllabus for further details ("Students with Disabilities" subsection).

Prerequisites

ECON 642 and ECON 645 (can be taken concurrently with ECON 683).

General Description, Overview

This course focuses on economic analysis of international macroeconomic issues and policy. Topics can include the study of exchange rates, balance of payments, international financial markets, international business cycles, contagion, and the roles played by international economic institutions. You will also learn how two use Dynare and Matlab, which are fundamental for macroeconomic analysis in general, the most widely used software in policy institutions (and are able to do things that Stata simply cannot). This class is to the greatest extent possible self-contained, so _I aim to teach you everything you need to know for doing well in this class from the ground up._ This last statement applies, in particular, to the software we will be using throughout the class: Dynare and Matlab.

Course Objectives

In this course, you will:
1. Develop the ability to understand, evaluate, and analyze economic data.
2. Develop the ability to understand and interpret statistical evidence from economic data.
3. Develop the ability to apply empirical evidence to assessing economic arguments.
4. Develop the ability to apply macroeconomic theories to policy discussions.
5. Develop the ability to communicate economic ideas to a broader audience.

Required Textbook and Software

Required Textbook

International Macroeconomics, by Robert C. Feenstra and Alan M. Taylor, Worth Publishers, 3rd Edition (note: eTextbook is available from select sellers). ISBN-10: 1429278439. ISBN-13: 978-1429278430.

Required Software: Matlab and Dynare

You can install Matlab and Dynare on your computer by going to the following page: https://myelms.umd.edu/courses/961973/pages/matlab-slash-dynare-installation-manual
It is your responsibility to have these software installed on your computer and fully functional by no later than week 4 of the class. To check "functionality," please consult with the class TA. Make sure to plan ahead, as on week 5 you are expected to be able to start working with these software in class.

Methodology and Work Load

Mastering the material covered in this course requires a significant amount of work outside of class. Students should expect to spend more time outside of class than in class – typically at least twice as much time. The courses in our DC program are 12-week courses that cover all the same material as a traditional semester-long 3-credit course (15 weeks). The compressed schedule makes it possible to complete our degree in just 15 months if you take 2 courses each term. But the compressed schedule also implies an accelerated pace with an average of 25% more work per week in a given course (15/12 = 1.25). The normal full-time load in a master's program is 3 courses per semester, or 6 courses per year. Students who take 2 courses per quarter in our program complete 8 courses per year. So taking 2 courses per quarter in our program is equivalent to 133% of a full-time load (8/6 = 1.33).

You are expected to read and study the material covered in the majority of the textbook throughout the course. Most students will need to read some of the passages multiple times to really master the material. **It is essential that you thoroughly read the chapters to be covered in any one class before coming to lecture**, and it is most likely that you will have re-read at least some of the material as you study to be able to keep on top of things.

In class, we will be going over lecture notes that are posted for each week of the course on the course's ELMS webpage. We will be developing the lecture notes interactively in class, so there is no need for you to go over the lecture notes prior to class. While you are responsible for all readings assigned in the textbook, this is a Master's class so do not expect that in class I will be going over all topics covered in any one chapter of the textbook. Instead, I will use class time to focus on certain topics of interest, and also the development of the lecture notes, which are crucial for elevating the material to the level of a Master's program. Each set of lecture notes suggests practice problems from the textbook. There are no homework assignments, so you are not required to hand in any practice problems, and the suggested problems' solutions will be posted each week on the course's ELMS webpage. **For you to be able to do well in the class, it is crucial that you master the materials covered in the lecture notes in addition to the suggested textbook problems.**

NOTES: Printed copies of the lecture notes for each class will be available for you at the start of that class. **Please bring your textbook to every class that was assigned a reading from the textbook.**

Grading and Related Issues

*There will be no make-ups for any graded components unless you provide a **legitimate excuse in a reasonably timely fashion that abides to University protocols**.* You will be evaluated on the basis of (1.) class participation; (2.) a midterm exam (that encompasses the materials covered in weeks 1 through 4); (3.) an in-class group presentation; (4.) weekly online discussions; (5.) a Dynare/Matlab group programming project, and (6.) a final (cumulative) exam.

Class Participation

You will get participation credit for any sort of constructive participation, including, but not limited to, asking clarifying questions. Each class you will be assigned a numerical grade of between 0 and 100 for your class participation. In assigning this grade, quality counts over quantity. At the end of the term your final class participation grade will be equal to the simple average of your participation grade in each class. As such, the maximum participation grade you can attain in the term is 100. If you do not participate at all in a class, then your participation grade in that class will be 0.

NOTE: Your lowest 2 participation grades will be dropped from the calculation of your final participation grade.

Examinations

The midterm exam will take place on the 7th week of the term and the final exam will take place on the 12th week of the term. The midterm exam will be designed to take 1 hour and 20 minutes to solve and will take place during the first part of the class. The final exam will be designed to take 2 hours to solve. Each exam will be worth 100 points total, and the final exam will potentially have an extra credit opportunity making it worth 115 points total (see details below).

Extra Credit Opportunity on Final Exam
- Near the end of the term, you will receive an email inviting you to submit a voluntary and anonymous course evaluation.
- Your feedback on courses will be very helpful in improving the quality of instruction in our program.
- As an extra incentive for you to evaluate the course, in the final exam I will *potentially* offer an extra credit opportunity to the class if the evaluation response rate exceeds a certain amount by a certain time. (I will not be able to see which students have evaluated the course, nor anyone's explicit evaluation, but I will be able to see the overall response rate.)
  - If the evaluation response rate of the course reaches 80% by Friday, November 11 at 10 pm, then the final exam will have an extra credit question worth 10 points. However, upon this circumstance you will not know in advance what the extra credit question will be about.
  - If the evaluation response rate of the course reaches 100% by Saturday, November 12 at 10 pm, then I will reveal what topic the extra credit question will be on.
  - Of course, if the 80% threshold is not met, then no extra credit opportunity will be provided and the final exam will only be worth 100 points.

Each week there will be an online discussion (to access these, go to the "Discussions" tab in the course's ELMS website). Discussions will be related to the material covered in that week's class. **For both Sections 1 and 2** all discussions open Thursdays at 12:01 am and close Sundays at 11:59 pm. The only exception (**for both Sections 1 and 2**) is Discussion 12, which will open Monday, November 14th at 10 pm and close Thursday, November 17th at 10 pm

Each discussion is worth 100 points, and your final discussion grade will be equal to the simple average of all your individual discussion grades. As such, the maximum number of points that you can attain for your participation in discussions is 100 points. Before participating in discussions, carefully review the week's materials. I will potentially participate in any one discussion multiple times. While the discussion board is open you are expected to keep an eye out for new comments posted by me or your classmates and contribute multiple times as necessary and appropriate (comments posted just for the sake of commenting multiple times should be avoided; quality of comments rather than quantity will determine your grade).

NOTE: Your lowest 2 online discussion grades will be dropped from the calculation of your final online discussion grade.

Grading Rubrics for Online Discussions
1. 86-100 points. Applies what we've been learning to the discussion in a way that is original and that constructively moves the discussion forward.
2. 61-85 points. Clarifies or seeks clarification of ideas that have already been expressed in a way that is not completely original.
3. 46-60 points. Attempts to apply what we have been learning, but in a way that does not quite get it right.
4. 20-25 points. Makes a casual observation that someone outside the course could have made, but that does not contribute at least marginally to the discussion (60-69 points).
5. Between 10 and 19 points.
   a. Makes a casual observation that someone completely unfamiliar with the subject matter could have made and that is very unlikely to add to anyone's understanding of the issue at hand.
   b. Rehashes ideas that have already been well-established in a way that adds little or nothing of value to the discussion.
   c. Misses the point of the question/discussion/topic at hand.
   d. Introduces confusion into the discussion in a way that is counterproductive.
6. Between 1 and 9 points.
   a. Exposition is so unclear that people cannot be sure what is being said after rereading the comment.
   b. Exposition is comprehensible, but marred by multiple fundamental typos and/or grammatical errors that are beneath the dignity of a professional Masters degree program.
   c. Comment is padded with unnecessary verbiage that obscures the essential point.
   d. Comment's reasoning is marred by faulty logic and/or factual inaccuracies.
   e. Comment is overly long multi-paragraph essay, making multiple points rather than a single focused contribution in the spirit of the discussion.
7. 0 points. No participation.

Note on discussions: Three credit courses at the University of Maryland require a minimum amount of contact between instructors and students. Our courses' 12 weekly 3-hour meetings only satisfy 80% of the university's contact requirement. The other 20% is usually satisfied by mandatory and graded online contact. Instructors have some discretion in how they structure the online component of their course. In principle, the contact hours requirement could also be satisfied by scheduling 3 additional 3-hour meetings per term, or one additional 45-minute meeting per week. The online components of our courses are a more flexible way to ensure that our program's courses provide the same level of student-instructor contact as a traditional 15-week, face-to-face, 3-credit course at the University of Maryland.

Group Presentation

There are six major puzzles in International Macroeconomics, which are detailed, and a common solution to all of them is proposed, in the following paper. Obstfeld, M. and K. Rogoff. 2000. The Six Major Puzzles in International Macroeconomics: is there a Common Cause? *NBER Macroeconomics Annual*, Vol. 25, MIT Press: 339-412. By the first class you will be randomly assigned into 5 groups as well as given a presentation date, and each group will be in charge of presenting a portion of the noted paper. Presentations will take place during the second half of two classes:
- First set of presentations takes place during the second half of the class on the 7th week of the term (Wednesday, October 12)—2 groups present their work.
- Second set of presentations take place during the second half of the class on the 11th week of the term (Wednesday, November 9)—3 groups present their work.

Details regarding presentations and presentation grading:
- The maximum score attainable on the presentation is 100. Scores will be assigned to groups as a whole and will be based on: the professionality of your slides and verbal presentation; the ability of your presentation to convey a clear and concise takeaway message based on professional elaboration of the topic on which you are presenting.
- The presentation should be done on PowerPoint slides.
- The presentation should be designed to last 30 minutes.
- Each group member must have an active role in the presentation.

- One of the most important things of being an economist is to be able to present highly technical concepts in a sufficiently intuitive fashion that a general audience could understand them. In fact, my job at the Federal Reserve entails much of this practice. *As such, the objective of the presentations is that they be professionally thorough, but in the spirit that, while you as professional economists understand the nitty gritty, ultimately the presentation of your work is cast in such a way that can be understood by a general audience. As such:*
  - o Your presentation should begin with an introductory overview of the topic you are presenting on as well as a clear statement addressing what is interesting and important about the topic that you are presenting. (Note: the first slide of the presentation must state the puzzle title, and the names of all your group members.). *Successful completion of this item earns you a maximum of 10 points toward your total presentation grade.*
  - o Your presentation must succinctly communicate to the audience what the puzzle is about, along with potential solutions to the puzzle as noted in the Obstfeld and Rogoff paper, with as much technical detail deemed appropriate. *Successful completion of this item earns you a maximum of 25 points toward your final presentation grade.*
  - o Your presentation MUST go beyond the Obstfeld and Rogoff puzzle you are presenting by researching and presenting findings from academic literature related to your presentation topic published since the year 2000. In particular, you should present some key findings of appropriate journal articles and convey some analysis and economic intuition for how the author(s) of these journal articles arrived at the findings. It is very important to state where results come from rather than just stating the results. It is also very important to pick one interesting thing from the journal article(s) associated with the topic that you are presenting—rather than superficially summarizing everything about the journal article. *Successful completion of this item earns you a maximum of 30 points toward your final presentation grade.*
  - o Your presentation should end with a succinct conclusion that recaps the most important issues you covered and why they are important. *Successful completion of this item earns you a maximum of 10 points toward your final presentation grade.*
  - o In terms of presentation style, you should make sure to engage the audience, do more speaking rather than reading, and you should make absolutely sure that your presentation, including the allowing for answering audience questions, lasts 30 minutes (this time management will require practice on your group's part). *Successful completion of this item earns you a maximum of 10 points toward your final presentation grade.*
- Furthermore, as noted above, by the first class you will be assigned randomly to a group, and your group will also be assigned a presentation date (see below for presentation date details).
  - o By no later than the end of the second class, your group should select a portion of the above noted paper to present (options are listed further below) and

communicate it to me via email to bepstei7@umd.edu. Presentation choices and will be assigned on a first-come first-served basis. *Successful completion of this item earns you a maximum of 5 points toward your final presentation grade.*
  - o Groups presenting on the 7th week of the term should send me a draft of their PowerPoint slides to bepstei7@umd.edu by no later than the Friday of the 6th week of classes at 10 pm. I will review the slides and provide feedback as necessary. This feedback MUST be incorporated in the presentation. *Successful completion of this item earns you a maximum of 10 points toward your final presentation grade.*
  - o Groups presenting on the 11th week of the term should send me a draft of their PowerPoint slides to bepstei7@umd.edu by no later than the Friday of the 10th week of classes at 10 pm. I will review the slides and provide feedback as necessary. This feedback MUST be incorporated in the presentation. *Successful completion of this item earns you a maximum of 10 points toward your final presentation grade.*

The presentations based on the Obstfeld and Rogoff paper will be "puzzles" as broken down in the paper.

NOTE: the final exam may have questions on student presentations. So, presenters should make sure that their presentations are up to the very high standard of teaching their peers, and audience members should make sure to ask all questions they deem appropriate to the groups that are presenting.

Choice of presentation topics for the 7th week of the term:
- Puzzle 1.
- Puzzle 2.

Choice of presentation topics for the 11th week of the term:
- Puzzle 3.
- Puzzle 4.
- Puzzles 5 and 6.

Dynare/Matlab Group Project

You will work on this project with the same group that you are assigned to work on the class presentations. This project is worth 100 points total, and it is simply like an extra-long problem set that will involve application of intertemporal optimization theory and programming skills that you will learn in class. Guidelines regarding this project will be posted and discussed in a timely fashion.

Calculation of Final Numerical Scores

Your final numerical score is a weighted average and equal to the following:

0.05*(your class participation grade)

+

0.10*(your online discussion grade)

+

0.10*(your presentation grade)

+

0.10*(your Dynare/Matlab project grade)

+

0.25*(your midterm grade)

+

0.3*(your final exam grade)

No letter grades will be assigned for individual graded components. Instead, I will assign final letter grades based off a curved version of the distribution of final numerical scores as well as professional judgement by which average grades will be assigned a letter grade of roughly "B+."

NOTE: On occasion, as the class moves along and as necessary I will send you comments as necessary and via email regarding how you are doing in terms of class participation and online discussion so that, if needed, you can adjust your performance in a timely fashion. That said, you should feel free to contact me at your convenience anytime that you wish feedback on your performance in the class.

Class Schedule

NOTES: All reading assignments are due on the class taking place on the week that they are posted for. The textbook is referred for short as "FT." **Suggested textbook practice problems for each chapter of the book are at the end of the corresponding set of lecture notes.**

- **Week 1.** International Macroeconomics: The Broad View, and Mathematical and Econometric Foundations.
  - Lecture: August 31.
  - Read FT Chapters 1 and 5.
  - Participate in Discussion 1 by Sunday at 11:59 pm.
- **Week 2.** Intertemporal Trade, the Current Account, and the Gains from Financial Trade.
  - Lecture: September 7.
  - By no later than the end of class send an email to bepstei7@umd.edu letting me know your group's preferences regarding a presentation topic.
  - Participate in Discussion 2 by Sunday at 11:59 pm.
- **Week 3.** Closed Economy Real Business Cycle Models.
  - Lecture: September 14.
  - Participate in Discussion 3 by Sunday at 11:59 pm.
- **Week 4.** Open Economy Real Business Cycle Models.
  - Lecture: September 21.
  - Participate in Discussion 4 by Sunday at 11:59 pm.

- **Week 5.** Introduction to Matlab and Dynare.
  - Lecture: September 28.
  - Read Matrix Algebra lecture notes.
  - ***Dynare/Matlab project is posted (due on Week 9).***
  - Participate in Discussion 5 by Sunday at 11:59 pm.
- **Week 6.** Exchange Rates and the Foreign Exchange Market.
  - Lecture: October 5.
  - Read FT Chapter 2.
  - Send draft of class presentations to bepstei7@umd.edu by Friday at 10 pm.
  - Participate in Discussion 6 by Sunday at 11:59 pm.
- **Week 7.** Midterm Exam and *First Set of Class Presentations*.
  - Class meets on October 12.
  - Midterm exam covers Weeks 1 through 4, only, and will start at the beginning of class, while class presentations will take place in the second part of the class.
  - Participate in Discussion 7 by Sunday at 11:59 pm.
- **Week 8.** The Long- and Short-Run Approaches to International Macroeconomics.
  - Lecture: October 19.
  - Read FT Chapters 3 and 4.
  - Participate in Discussion 8 by Sunday at 11:59 pm.
- **Week 9.** Stabilization Policy.
  - Lecture: October 26.
  - Read FT Chapter 7.
  - Participate in Discussion 9 by Sunday at 11:59 pm.
  - *Dynare/Matlab project is due at the beginning of class on Wednesday.*
- **Week 10.** Sovereign Default.
  - Lecture: November 2.
  - Read NS Chapter 11, section on "Debt and Default," only.
  - Send draft of class presentations to bepstei7@umd.edu by Friday at 10 pm.
  - Participate in Discussion 10 by Sunday at 11:59 pm.
- **Week 11.** *Second Set of Class Presentations* and Review.
  - Lecture: November 9; class presentations will take place during the first part of class and review will take place during the second part of class.
  - Participate in Discussion 11 by Sunday at 11:59 pm.
- **Week 12.** Final Exam.
  - Class meets on November 16.
  - Final exam is cumulative.
  - Participate in Discussion 12 by Thursday at 10 pm.

Standard Policies for the Program and the University of Maryland

Contact Hours: As noted earlier, three credit courses at the University of Maryland require a minimum amount of contact between instructors and students. Our courses' 12 weekly 3-hour meetings only satisfy 80% of the university's contact requirement. The other 20% is usually satisfied by mandatory and graded online contact. Instructors have some discretion in how they structure the online component of their course. In principle, the contact hours requirement could also be satisfied by scheduling 3 additional 3-hour meetings per term, or one additional 45-minute meeting per week. The online components of our courses are a more flexible way to ensure that our program's courses provide the same level of student-instructor contact as a traditional 15-week, face-to-face, 3-credit course at the University of Maryland.

Academic Integrity: The University of Maryland has a nationally recognized Code of Academic Integrity, administered by the Student Honor Council. This Code sets standards applicable to all undergraduate and graduate students, and you are responsible for upholding these standards as you complete assignments and take exams in this course. Please make yourself aware of the consequences of cheating, fabrication, facilitation, and plagiarism. For more information see www.studenthonorcouncil.umd.edu.

Student Conduct: Students are expected to treat each other with respect. Disruptive behavior of any kind will not be tolerated. Students who are unable to show civility to one another or myself will be referred to the Office of Student Conduct. You are expected to adhere to the Code of Student Conduct.

Medical Excuses: If you miss any class meetings for any reason, you are still responsible for all material covered during the meeting you missed. It is your responsibility – not the instructor's – to get yourself caught up in the course. If you need to miss an exam or other course deadline because of illness, injury, or some other emergency: Follow doctor's orders and get documentation. Get in touch with the instructor as soon as you're able – preferably prior to missing the exam or deadline. Communicate with the instructor to make up the course requirement as soon as possible. You are entitled to recover before you make up the course requirement, but you are not entitled to extra days to study beyond the time the doctor's note says you're incapacitated. If you are incapacitated for more than a week or so beyond the end of the term, your grade in the course will be an "Incomplete". Once you make up the course requirement the instructor will change your "I" to the appropriate letter grade.

School Closings and Delays: Information regarding official University closing and delays can be found on the campus website and the snow phone line: (301) 405-SNOW (405-7669). Since our program is an evening program in downtown Washington, DC, rather than a day program in College Park, we do not always cancel classes on the same days as the College Park campus. The program director will always announce cancellation information to the program as an announcement on the program's ELMS site.

Students with Disabilities: The University of Maryland does not discriminate based on differences in age, race, ethnicity, sex, religion, disability, sexual orientation, class, political affiliation, and national origin. Reasonable accommodations will be made to students with documented disabilities. I will make every effort to accommodate students who are registered with the Disability Support Services (DSS) Office and who provide me with a University of Maryland DSS Accommodation form.

Academic Progress: The graduate school requires that students maintain a GPA of at least 3.0. Students whose cumulative GPA falls below 3.0 will be placed on academic probation by the graduate school. Students on academic probation must ask the program's director to petition the graduate school if they want to remain in the program. The petition must include a plan for getting the student's GPA up to at least 3.0. Students who do not live up to their plan can be forced to leave the program without having earned the degree.

Building Access: The door to the building at 1400 16th Street is unlocked on weekdays until 7:00 p.m. Students who arrive after 7:00 will find the door locked. The building's security guard is stationed at a desk just inside the door until 11:00 p.m. and will let you in. You can also call the phone on the security guard's desk by dialing (202) 328-5158. If the security guard happens to be away from his or her desk when you arrive, you can pick up the black phone to the right of the door at 1400 16th Street. You will be connected to the company that handles security for our building. If you tell them you are with the University of Maryland, they should ask you for a password. The password is "Drawbridge". When you tell them the password, they will be able to unlock the door for you.