

University of Maryland, College park  
Department of Economics  
Master of Professional Studies Program in Applied Economics

Syllabus

International Macroeconomics and Finance (ECON 683)  
Fall 2017

Professor: Mahsa Gholizadeh, Ph.D.

Email: [mahsag@umd.edu](mailto:mahsag@umd.edu)

Class meets: Tydings 0111, Thursdays 6:30-9:15

(There will be a 15 minute break each class at some point between 7:30 and 8:15).

Office hours: 5:45-6:15. Thursdays before every class meeting at Morrill 1102C, and by appointment.

Teaching Assistant: Burak Turkgulu

Email: [CPmastersTA@econ.umd.edu](mailto:CPmastersTA@econ.umd.edu)

Office Hours: TBA, but Burak will have office hours on 3 of the following 4 days from 5:15-6:15 in Morrill 1102: Mon-Thurs.

Required textbook:

**International Macroeconomics**, 3<sup>rd</sup> edition, Robert Feenstra and Alan Taylor, ISBN-10: 1-4292-7843-9

Additional textbook:

Not required: (added to lectures)

Mark, Nelson C. (2001) *International Macroeconomics and Finance: Theory and Econometric Methods*. Hoboken, New Jersey: Blackwell Publishers.

Side read:

<http://www.economonitor.com/>

<http://www.economagic.com/>

**Prerequisites**

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

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](http://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).*

**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.

**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.

**Methodology and tips on how to do well in this course:**

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. 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. For each chapter, I will suggest practice problems from the textbook. You are not required to hand in all the practice problems, but you will pick one which you think you were able to give the complete answer to and turn that in at the beginning of each class those would be part of your class participation grade. 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.**

## **Grading:**

Class participation	10%
Midterm	30%
Mini projects	20%
Presentation	10%
Final Exam	30%

At the end of the term, every student will have a numerical course grade between 0 and 100. I will decide upon the numerical cutoffs between various letter grades based on my professional judgement. I will consider students' performance relative to the class. I will also consider absolute standards of professional competence. Highly competent students will get A's. Barely competent students will get B's. Incompetent students will get B-'s or worse. The cutoffs that I use will respect the ordinal ranking of numerical course grades. No student with a given numerical course grade will receive a lower letter grade than someone else with a lower numerical course grade.

### **Class participation**

This is a master's level course so I expect you to actively participate in class discussions especially when we have student presentations. You must read the paper in advance and prepare educated questions to ask. These will be part of your class participations along with the practice problem you turn in at the beginning of every class (refer to methodology section's underlined section). Remember you won't earn partial credit for turning these practice problems in. So try your best to give a thorough and a correct answer.

### **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 to 5 groups as well as given a presentation date

Presentations will take place in the second half of two classes:

- First set of presentations takes place during the second half of the class on week 7 of the term – 2 groups present their work.
- Second set of presentations takes place during the second half of the class on week 14 of the term – 3 groups present their work.

### **Details regarding presentations and grading:**

- Presentations must be in PowerPoint slides
- Each group will be given 30 minutes to present

- Each group member should have active role in presentations, but it's under the your discretion on how you divide the work
- Total score for presentation is 100. A successful presentation will have:
  - An introductory overview of the puzzle and why it is important (10 points)
  - What the puzzle is and the authors' suggested solution to solve it (10 points)
  - Remember that you must go beyond the paper you are assigned to and search for other (more recent) literature on this topic and present their key findings related to the puzzle. Remember not to just summarize paper but explain what the results are and why they are important (30 points)
  - A successful presentation will recap and conclude in the end. You need to add your intuition on why this is an important puzzle and if you think there are rooms for improvement (20 points)
  - Remember to engage your audience, don't read your slides but rather explain them. Leave some time for questions from audience. Don't go over time. Successful presentations don't have lengthy sentences, use graphs and charts to help audience engage and capture their interest (20 points)
  - Being able to answer audiences' and my questions will lead to a higher grade as well (10 points)
- Remember to send your slides by 5 PM Friday October 6 and Friday December 1 to get feedback. Should you miss that deadline, you will lose 10 points of your presentation grade.

**Note:** students who aren't presenting are expected to participate by asking educated questions and challenge the presenters. This will be part of your participation grade for that class.

### **Mini Projects:**

The data-based assignments require the use of econometric software or a spreadsheet. I may sometimes provide students with data for their assignments, or students might have to go online on IFS or other websites to download the data. Students can work in groups of two.

List of projects:

- 1- The primary purpose of this assignment is to introduce students to data analysis software. It is also a first look at the relationship between the spot rate and the relative price level, and teaches how to retrieve data from the International Financial Statistics (IFS).
- 2- The objective of this exercise is to explore Frenkel's work on the post-WWI German hyperinflation by attempting a replication and extension of the results reported in Frenkel (1976). [A monetary approach to the exchange rate: Doctrinal Aspects and Empirical Evidence, Frenkel, J. (1976), The Scandinavian Journal of Economics, Vol. 78, No. 2]
- 3- Introduction to unit root. Augmented Dickey-Fuller test, introducing random walk, white noise, and AR processes for the next project.
- 4- Long-run purchasing power parity. (Gain experience retrieving data from the web for empirical work.

### Details regarding mini project:

- Create a course folder econ683. Keep your data and scripts in that folder. Always keep your raw data unedited. Instead work with a copied version so that you can easily retrieve the raw data if you need to. Create .do files for your project and write your codes there and add informative comments for the reader of your program. On the top add the author and date of the program. You turn your .do files in therefore make sure your file is debugged and reproducible. (20 points)
- For each assignment you must create a report:
  - Your report should include a full discussion of your work, and should reference to any graph that you create. (20 points)
  - If you run regressions, you should have the table in your report and have a discussion about your results (20 points)
  - Tables should look professional for presenting in a paper. And a discussion must follow your table explaining the results. Your tables must be numbered and have a table title and a footnote if something needs explanation. (15 points)
  - Graphs should look professional for presenting in a paper Graphs must be created by your data source, have number, title, and axis label. (15 points)
  - Create your report as PDF. You will submit everything electronically before class. (10 points)

### Class Schedule

NOTE: All assignments are due at the beginning of the class. The textbook is referred for short as "FT."

<b>Week 1.</b> (Aug. 31)	Introduction  Global Macroeconomy: Mathematical Background & Introduction (Mark Ch. 2) Read: FT chapters 1 & 5 Presentation schedule and group set ups
<b>Week 2.</b> (Sept. 7)	Global Financial Markets and Exchange rates Read: FT chapter 2 (you must have picked your presentation topic by this class)
<b>Week 3.</b> (Sept. 14)	Money and Exchange rates I: Long Run Read: FT chapter 3
<b>Week 4.</b> (Sept. 21)	Money and Exchange rates II: Short Run Read: FT chapter 4 Turn Project I in

<b>Week 5.</b> (Sept 28)	Exchange rates, trade balance, and the current account Turn Project II in.
<b>Week 6.</b> (Oct. 5)	<b>Guest speaker from the IMF "tentative"</b> Purchasing Power Parity Read: FT chapter 3 <b>Send draft of class presentations by Friday at 10 pm.</b>
<b>Week 7.</b> (Oct. 12)	Cointegration and error correction Lecture note <b>First set of presentations</b>
<b>Week 8.</b> (Oct. 19)	Short Review <b>Midterm Exam</b>
<b>Week 9.</b> (Oct. 26)	Balance of payments model Read: FT chapter 6 Turn Project III in.
<b>Week 10.</b> (Nov. 2)	Portfolio Balance Model of exchange rate determination Lecture note
<b>Week 11.</b> (Nov. 9)	Exchange rate overshooting Lecture note
<b>Week 12.</b> (Nov. 16)	Mundell Fleming Model Mark. Ch. 8 & Lecture note Turn Project IV in.
(Nov. 23)	<b>THANKSGIVING NO CLASS</b>
<b>Week 13.</b> (Nov. 30)	Topics in international macroeconomics Read: chapters 10 and 11 <b>Send draft of class presentations by Friday at 10 pm.</b>
<b>Week 14.</b> (Dec. 7)	Review and wrap up <b>Second set of presentations</b>
<b>Week 15.</b> (Dec. 14)	Final Exam

## Standard Policies for the Program and the University of Maryland

For your own information, please read the following boilerplate statements, which must appear in every syllabus in our program. Copy and paste these statements into your syllabus:

**Course Website:** Copies of the course syllabus, your grades, and other relevant links and documents will be posted on the course's ELMS/Canvas website. You can access the site via [www.elms.umd.edu](http://www.elms.umd.edu). You will need to use your University of Maryland "directory ID" and password.

**Email:** Email is 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 via ELMS. 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. I will do my best to respond to email within 36 hours.

**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.

**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](http://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.

**Excused Absences:** The University of Maryland's policy on excused absences is posted here: <http://www.president.umd.edu/administration/policies/section-v-student-affairs/v-100g>

Please note:

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 make sure you catch up on the missed material. Instructors routinely facilitate things by posting lecture notes, etc.

If you need to miss an exam or other graded course requirement 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". In such cases you must negotiate a plan with your instructor for

completing the course requirements. 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) The program director will also announce cancellation information to the program as an announcement on the program's ELMS/Canvas site. This will generally be done by 1:00 p.m. on days when weather or other factors are an issue. If classes need to be cancelled during the semester, it may be necessary to move the final exam back a week so missed classes can be made up.

**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. Note: a grade of "B" corresponds to a GPA of 3.0. A grade of "B-" corresponds to a GPA of 2.7.

**Access to Morrill Hall and Morrill 1102:** Morrill Hall is locked every day from 7:00 p.m. - 7:00 a.m. Your university ID gives you swipe access to the back door of the building.

Courses that require students to use laptop computers should have the following about minimum laptop computer expectations:

**Laptop Computer Requirement:** Completing some of this course's requirements will require a laptop computer (not a notebook or a tablet!) with at least 1 GB of RAM and at least 5 GB of free space available on the hard-drive. We recommend laptops with at least a 15-inch screen. Screens smaller than 13 inches are probably not practical.

Courses that require students to do empirical work should include the following about Stata:

**Purchasing Stata:** Students in our program must purchase Stata. Stata offers different "flavors" and different lengths of licensing. Price varies according to these two factors. We do not recommend Small Stata since it is too limited for the coursework in our program. Stata/IC is the least expensive and sufficient version for your coursework. With a single-user license, you can install Stata on up to three computers. Description of all the flavors are given here: <http://www.stata.com/products/which-stata-is-right-for-me/> You can obtain Stata at discounted rates through the Campus GradPlan, in which University of Maryland, College Park is a participating institution. To benefit from the discounted prices, click on the link below and pick the Stata version you would like to buy.

(Note: Disregard the warning at the top which states that you must be a faculty or staff member. That is not correct.)

<http://www.stata.com/order/new/edu/gradplans/campus-gradplan/>

Through the Campus GradPlan you can buy either an annual (\$125 for Stata/IC) or a perpetual license (\$198 for Stata/IC). The perpetual license does not expire and is the most cost effective option assuming that you will stay in the program for at least 15 months. There are also upgrade discounts provided to perpetual license holders. During the checkout process you will be asked to verify your "@umd.edu" email address.

If you wish to buy a 6-month license (\$75 for Stata/IC), you need to order it as a regular student using the following link:

<http://www.stata.com/order/new/edu/gradplans/student-pricing/>

During the checkout process you will be asked to upload a copy of your student ID or another document as a proof of your enrollment.