# Syllabus for International Macroeconomics (ECON 683)

Fall 2019 Semester
Masters of Science Program in Applied Economics
Washington, DC location: 1400 16th Street, NW, suite 140
Thu 6:45-9:30PM


Instructor: Daniel Fried
Email: dfried@umd.edu
Office Hours: Thu 6:00-6:40PM

TA: ZuYao Hong
Email: ZHong1@umd.edu
Office Hours: Mon or Thu 5:15-6:45PM

(Some weeks Mon, others Tue. Will post a schedule at the beginning of the term and send weekly reminders on Sunday.)

**Required Textbook**

International Macroeconomics, 4th edition, Robert Feenstra and Alan Taylor

**Prerequisites**

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

**Course 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 and international trade and trade agreements.

**Course Objectives**

Our program has 7 general learning outcomes:
1. Ability to understand, evaluate and analyze economic data
2: Ability to understand and interpret statistical evidence from economic data
3: Ability to apply empirical evidence to assessing economic arguments
4: Ability to apply macroeconomic theories to policy discussions
5: Ability to apply microeconomic theories to policy discussions
6: Ability to communicate economic ideas to a broader audience
7: Ability to evaluate the effectiveness of policy programs using sound economic techniques
The learning outcomes that pertain to this course are: 1, 2, 3, 4, and 6.

**Grading**

| Course Component | Percent of Total Semester Grade |
|---|---|
| Class Participation | 5% |
| Problem Sets | 10% |
| Weekly Online Discussion | 10% |
| Midterm | 25% |
| Empirical Projects | 15% |
| Presentation | 10% |
| Final Exam | 25% |

At the end of the semester students will earn a numerical course grade between 0 and 100. That numerical grade will then be translated into a letter grade. To determine that letter grade, I will consider students' performance relative to the class as well as absolute standards of achievement. High performing students will get A's. Barely competent students will get B's. Incompetent students will get B-'s or worse. The cutoffs used to determine letter grades will respect the ordinal ranking of numerical course grades such that 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 participation in class discussions is expected, especially during student presentations. Your class participation grade will be determined by the quality of your participation during class and during class presentations. During lectures, I expect students to answer questions and ask questions themselves. I reserve the right to assign additional papers for students to read for class. I will expect students to have read those papers and come prepared to discuss them. During student presentations, students must read all papers in advance of class presentations and be prepared to ask thoughtful questions.

At the end of every class, I will assign every student a 0, 1 or 2 as their class participation grade. To earn a 2, you must contribute thoughtfully to the class discussion, answer questions posed to the class and actively engage in the lecture. To earn a 1, you must speak at least once during class. If you do not contribute in class at all or you do not attend lecture, you will earn a 0. If you need to miss class, you must let me know at least 6 hours before class or you'll risk earning a 0. Participation grades will be assigned similarly for class presentations. At the end of the semester, your final participation grade will be the simple average of each individual class participation grade. During Weeks 5 and 8 of this course, I will inform students of their class participation scores to-date. To calculate your class participation grades' contribution to your final semester grade (5% of your semester grade), I will multiply the simple average of all of your weekly class participation grades by 2.5.

**Problem Sets**

Three problem sets will be assigned throughout the semester. These problem sets are intended to provide a review of the theoretical models covered in this course. The objective of having these

problem sets is to help you understand the intuition behind these models and build analytical skills by solving for different scenarios.

- Problem sets are due prior to class on the days specified on the class schedule
- Problem sets can be submitted as hardcopies or electronically
- Problem sets will be graded
- Grades for problem sets will be given as number grades: 1, 2, 3 or 4.
- Your final problem set grade will be equal to the simple average of all of your individual problem set grades
- Problem sets can be completed in groups of no more than 2
- If the problem sets are not submitted on time (no matter the reason), the highest grade you will be able to earn is a 3
- To calculate the contribution of problem sets to your final semester grade (equal to 10% of your final semester grade), I will take the simple average of all of your problem set scores and multiply that by 2.5.

**Weekly Online Discussion**
Each week there will be an online discussion (to access these, go to the "Discussions" tab in the course's ELMS website). Weekly discussions are related to the materials covered that week in class. Weekly discussions will open each week on the Friday after our class meeting at 12PM. You will have until the following Wednesday at 12PM to participate in that class discussion.

The grades for discussions are number grades 1, 2, 3, or 4. I will participate in the online discussions as well. You are responsible to keep track of new comments and express your constructive feedback.  Discussions that are original and constructively move the discussion forward receive the full grade of 4. Discussions that clarify or seek clarification of ideas already expressed receive 3. Discussions that attempt to apply what we have learned but doesn't quite get it right will receive 2. Discussions that make a casual observation that someone outside the course could have made but doesn't contribute at least marginally to the discussion receive 1. I will provide everyone with their weekly online discussion grade during the week after that discussion takes place. Your weekly online discussion grade's contribution to your semester grade (10% of your final semester grade) will be equal to the simple average of all your individual discussion grades multiplied by 2.5.

**Group Presentations**
All group presentations will take place on Week 11 of this course (Nov 7th). Students will be randomly split into 5 groups and randomly assigned one of the following 5 papers to present to class:
1. Caballero et al (2017), *Safe Asset Shortage Conundrum*, https://pubs.aeaweb.org/doi/pdf/10.1257/jep.31.3.29
2. Gopinath et al (2019), *Dominant Currency Paradigm,* https://www.nber.org/papers/w22943
3. Guvenen et al (2018), *Offshore Profit Shifting and Domestic Productivity Measurement,* https://www.minneapolisfed.org/research/wp/wp751.pdf
4. Obstfeld and Taylor (2017), *International Monetary Relations: Taking Finance Seriously,*  https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.31.3.3

5. Rossi (2013), *Exchange Rate Predictability,*
   https://pubs.aeaweb.org/doi/pdfplus/10.1257/jel.51.4.1063

- Presentations must be in either PowerPoint or another electronic format
- Each group will be given 30 minutes to present
- Each group member must have active role in presentations
- Plan to use 20 minutes for the presentation and leave 10 minutes for questions from your classmates
- Be selective about what you include to make sure you can finish in time (there will be a hard stop at 30 minutes)
- It is up to the presenters to ensure all grading criteria are met within 30 minutes.

- To receive full credit (100 points) presenters must:
  - Explain the key findings of the paper (15 points)
  - Explain the methods used by the authors to obtain their results (15 points)
  - Explain why this paper is an important contribution to the literature. This will require you to cite related papers, place this paper within the wider literature and convey why this paper is important.  (30 points)
  - Present this paper in a way that is engaging and informative. Presentation style matters. Don't just read off the slides. Make eye contact and engage with the audience. (20 points)
  - Accurately answer audience questions. (20 points)

- Presentation Feedback
  - Before your presentation, I ask that you send me your slides to get feedback.
  - Draft slides are due by October 17th
  - Groups that miss this deadline will lose 10 points off of their full presentation grade.

- Students who aren't presenting are expected to participate by asking educated questions that challenge the presenters. This will be part of your participation grade for that class.
- To calculate your presentation grade's contribution to your final semester grade (10% of your semester grade), I will multiply your presentation grade by 0.1.

**Empirical Projects**
Empirical projects require the use of econometric software or a spreadsheet. I may sometimes provide students with data for their projects, or I may ask students to find the data themselves. Students can work in groups of no more than 2 and submit their work as a group.

Empirical Projects
1. Exchange Rates and PPP
2. Estimating Tariff Effects/Forecasting Trade Flows

- Create a course folder named econ683 that should hold:
  - Inside that folder include 2 subfolders (project1, project2)
  - Inside each subfolder include 4 other folders (data_raw, data_clean, exec, output)

- All raw data should be located in "data_raw"
- All cleaned data should be located in "data_clean"
- All code and executables should be located in "exec"
- All output should be located in "output"

- Tips for Data Project
  - Always keep raw data unedited
  - Create a separate data file with all edited/cleaned data
  - Projects can be completed in excel, STATA or any other coding language
  - Always include informative comments for the reader of your programs.

- To get full credit (100 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, be numbered and have titles and axis labels. (15 points)
  - Create your report as PDF. You will submit everything electronically before class. (10 points)
  - You must separately submit all code used in your analysis. That code must be well-commented, easily-understood and all tables, graphs and results must be easily reproduced. (20 points)
  - To calculate your empirical projects' contribution to your final semester grade (15% of your semester grade), I will multiply the average of your two project grades by 0.15.

**Midterm and Final Exams**
The midterm exam will be administered during Week 7 of the course. The final exam will be administered during Week 12 of the course. Each exam will account for 25% of your final semester grade. The final exam will not be cumulative – meaning that exam will only cover material taught after the midterm. Any student who does not attend class on the day of an exam will automatically earn a 0. Make-up exams will **only** be offered to students who alert the instructor that they will be unable to attend class on exam days **at least 3 weeks prior to the exam date** or provide proof of extenuating circumstances.

## Class Schedule

**Week 1** (Aug 29)    Fundamentals of International Macroeconomics and Trade
Read FT chapters 1 and 12
Assign presentation groups

**Week 2** (Sept 5)    Exchange Rates and Foreign Exchange Markets
Read FT chapter 2
Read Borio et al (2016)
Read Cerutti et al (2019)

**Week 3** (Sept 12)    Money and Exchange Rates I: Long Run
Read FT chapter 3

**Week 4** (Sept 19)    Money and Exchange Rates II: Short Run
Read FT chapter 4
Problem Set 1 Due

**Week 5** (Sept 26)    Exchange Rate Policy: Fixed vs. Floating (Mundell-Fleming)
Read FT chapter 8

**Week 6** (Oct 3)    Exchange Rate Crises and the Euro
Read FT chapters 9 and 10
Problem Set 2 Due
Data Project 1 Due

**Week 7** (Oct 10)    **Midterm Exam**

**Week 8** (Oct 17)    Balance of Payments and Topics in International Macro
Read FT chapter 5
Presentation Draft Slides Due

**Week 9** (Oct 24)    Basics of International Trade
Read FT Int'l Economics chapters 2 and 8 (or lecture notes)

**Week 10** (Oct 31)    Tariffs and Trade Agreements
Read FT Int'l Economics chapters 9 and 11 (or lecture notes)
Problem Set 3 Due

**Week 11** (Nov 7)    Class Presentations
Data Project 2 Due

**Week 12.** (Nov 14)    **Final Exam**

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

**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. You will need to use your University of Maryland "directory ID" and password.

**Email:** 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.registrar.umd.edu/current/ (Under the first major heading of "Online Transactions" there is a link to "Update Contact Information".)

**Contact Hours:** Three credit courses at the University of Maryland require a minimum amount of contact between instructors and students. Our courses' 12 weekly meetings only satisfy 80% of the university's contact requirement. The other 20% is satisfied by weekly mandatory and graded online contact. In principle, the contact hours requirement could be satisfied by scheduling 3 additional 150-minute meetings per term, or 6 additional 75-minute meetings, or 10 additional 45-minute meetings. But in practice the contact hours requirement is satisfied by the weekly online discussions. The weekly online discussions are a more flexible way to ensure that our program's courses in DC provide the same level of student-instructor contact as the traditional 15-week face-to-face version of the same course when it is taught on campus in College Park.

**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. The weekly work load when taking 2 of our DC courses per term is equivalent to the load from 2.5 "normal" 15-week courses - so $2.5/3.0 = 83\%$ of a full-time load. Students who take 2 courses per quarter in our program complete 8 courses per year. So over the course of a year, taking 2 courses per quarter in our DC program is equivalent to 133% of a full-time load ($8/6 = 1.33$).

**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.

**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

**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 get yourself caught up in the course. 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). 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/Canvas site. This will generally be done by 1:00 p.m. on days when weather or other factors are an issue.

**UMD Counseling Center:** Sometimes students experience academic, personal and/or emotional distress.  The UMD Counseling Center in Shoemaker Hall provides comprehensive support services that promote personal, social, and academic success.  The cost of these services is covered by the fees you already paid when you registered for classes, and there is no additional charge if you use the services.  Proactively explore the range of services available, including the Counseling Service, Accessibility and Disability Service, Learning Assistance Service, and the Testing Office, all described at http://www.counseling.umd.edu/

**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, or national origin.  Reasonable accommodations will be arranged for students with documented disabilities.  Students who have an accommodations letter from the Accessibility and Disability Service (ADS) should meet with me during the first week of the term to discuss and plan for the implementation of your accommodations.  If you require reasonable accommodations but have not yet registered with ADS, please contact the Accessibility and Disability Service at 301-314-7682 or adsfrontdesk@umd.edu. 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.

**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 enrolled 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 have their enrollment in the program terminated 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.

**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 p.m. or on weekends 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 is off duty or 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.  You will be connected to the company that handles security for our building.  If you tell them you are with the University of Maryland (1400 16th Street, suite 140), they should ask you for a password.  When you tell them the password, they will be able to buzz you in.  If they are unable to buzz you in from 1400 16th Street for some reason, go around to the 1616 P Street door to be buzzed in.  You can get the password from the program coordinator, the TA, or the program director.