

**University of Maryland-College Park
Department of Economics, Washington DC location
Master of Sciences in Applied Economics Program**

Syllabus

International Macroeconomics and Finance (ECON 683)

Spring 2023

Professor: Mahsa Gholizadeh, Ph.D.

Email: mahsag@umd.edu

Class Meets: Tuesdays 6:45-9:30PM, with a 15-minute break around 8:00.

Office hours: Mondays 5-5:45 pm (virtual), and by appointment

Teaching Assistant: Andrea Vilchez

Email: andreav@umd.edu

Office Hours: Saturdays 4-4:45pm (virtual), and by appointment

Required textbook:

Robert Feenstra and Alan Taylor, **International Macroeconomics**, 5th edition (or older editions), ISBN:9781319218423

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/>

Important NOTE:

Please make sure to check ELMS regularly. Emails are the primary means of communication this semester make sure to check your emails regularly. I will post all the class materials on ELMS and you will be turning your assignments in on ELMS.

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

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.

Our program has 7 general learning outcomes for students:

- 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.

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. **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 three problem sets.**

Assignments and Grading:

Class participation and Weekly Online discussions (10 percent):

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. Three of those discussions are related to the presentation posted by your fellow classmates that week, the rest is assigned by me related to the material covered in class. You will have until the following Sunday 11:59 to participate in that class discussion.

The grades for discussions are letter grades A (4), B (3), C (2), or D (1). Your final discussion grade will be equal to the simple average of all your individual discussion grades. 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 A. Discussions that clarify or seek clarification of ideas already expressed receive B. Discussions that attempt to apply what we have learned but doesn't quite get it right will receive C. 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 D.

Problem Sets (10 percent)

The three problems 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.

Details regarding problem sets and grading:

- Problem sets are collected electronically (scanned submissions must be in readable condition)
- The grades for the problem sets are A (4), B (3), C (2), or D (1).

- They must be individually worked
- If for any reason you miss the deadline to turn the problem sets in your grade automatically starts from B
- If you fail to submit your work you will get an F.

Presentations (20 percent)

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.

Presentations will take place throughout the semester:

- March 14: **Presentation 1 Puzzle 5 & 6** (The Purchasing-Power-Parity Puzzle (Puzzle5))
- April 4: **Presentation 2 Puzzle 2** (The Feldstein-Horiok Puzzle)
- April 7: **Presentation 3 Puzzle 4** (The International Consumption Correlations Puzzle)
- April 25: **Presentation 4 Puzzle 1** (The Puzzle of Home Bias in Trade)
- May 2: **Presentation 5 Puzzle 3** (The Puzzle of Home Bias in Equity Portfolio)

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: (20 percent)

The data-based assignments require the use of econometric software. 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 is a first look at the relationship between the spot rate and the relative price level and teach how to retrieve data.
- 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- Long-run purchasing power parity. Replicate Frankel's (1979) 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 you 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)

Midterm (20 percent) It will be a mix of multiple choice and longer answer questions

Final Exam (20 percent) Mix of multiple choice and longer answer questions

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 judgment. 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.

*****Note on class schedule*****

Please note that there are two synchronous online meetings on two different Saturdays. This is to ensure that our class has the equivalent of 12 meetings (including exams), despite there being no

class meeting during spring break. They will be accompanied by some corresponding asynchronous material posted to the course ELMS site. The two synchronous meetings on Saturday are not optional.

Class Schedule (dates are subject to change)

NOTE: The textbook is referred for short as "FT."

Week 1. (Feb 28) Introduction
Global Macroeconomy: Mathematical Background & Introduction (Mark Ch. 2)
Read: FT chapters 1 & 5
Presentation schedule and group set ups
Participate in discussion 1 by Sunday 11:59pm

Week 2. (March 7) Global Financial Markets and Exchange rates
Read: FT chapter 2
(you must have picked your presentation topic by this class)
Participate in discussion 2 by Sunday 11:59pm

Week 3. (March 14) Money and Exchange rates I: Long Run
Purchasing Power Parity (PPP)
Read: FT chapter 3 and lecture notes
Presentation 1 Puzzle 5 & 6
Participate in discussion 3 by Sunday 11:59pm
Turn Project I in by the end of 14th

SPRING BREAK

Week 4. (March 28) Money and Exchange rates II: Short Run
Rational Expectations Hypothesis and the Role of News
Read: FT chapter 4
Participate in discussion 4 by Sunday 11:59pm.
Problem set 1 due Friday March 31

Week 5. (April 4) Exchange rates, trade balance, and the current account
Marshall-Lerner Conditions
Presentation 2 Puzzle 2
Participate in discussion 5 by Sunday 11:59pm
Turn Project II in by the end of 4th

Week 6. (April 11) Short Review
Midterm Exam
Participate in discussion 6 by Sunday 11:59pm

Saturday (April 15)
(1.1) Online Synchronous meeting on Zoom (Saturday 11am-12:15pm)
PPP cont. Balassa-Samuelson Critique
Do sticky prices give rise to PPP deviations?
Read: Lecture Notes

Week 7. (April 18) Balance of payments model
Read: FT chapter 7
Presentation 3 Puzzle 4

Participate in discussion 7 by Sunday 11:59pm

Week 8. (April 25) Mundell Fleming Model, fixed versus floating exchange rate
Mark. Ch. 8 & Lecture note
Participate in discussion 8 by Sunday 11:59pm
Presentation 4 Puzzle 1
Problem set 2 Due Friday 28

Week 9. Saturday (April 29)
(1.2) Online Synchronous meeting on Zoom (Saturday 11am-12:15pm)
Fixed vs. Floating cont. (Advantages of fixing or floating?)
Portfolio Balance Model
FT: Chapter 8 and 9, Lecture note
Participate in discussion 9 by Sunday 11:59pm

Week 10. (May 2) Exchange rate overshooting, and optimum currency
Chapter 10, Lecture note
Turn Project III in by the end of 2nd
Presentation 5 Puzzle 3
Participate in discussion 10 by Sunday 11:59pm

Week 11. (May 9) Topics in international macroeconomics and review
Read: chapters 10 and 11
Participate in discussion 11 by Sunday 11:59pm
Problem set 3 Due Friday 12

Week 12. (May 16) **Final Exam**
Participate in discussion 12 by Sunday 11:59pm

Other Standard Policies for the Program and the University of Maryland

Policies related to all graduate courses at the University of Maryland are posted on this page of the Graduate School's website:

<https://gradschool.umd.edu/faculty-and-staff/course-related-policies>

Please familiarize yourself with these policies related academic integrity, non-discrimination policy, accessibility, absences and accommodations, grading, academic standing, grievance procedures, and other important policies.

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. The University creates an "@umd.edu" email address for every graduate student. All official UMD communications will be sent to students at their "@umd.edu" email address. You are responsible for reading your @umd.edu email address, including ELMS/Canvas Announcements I send to the class. You should make sure ELMS/Canvas Announcements and messages are forwarded to an email address that you check regularly. 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.

Course Website: Copies of the course syllabus, student's grades, and other relevant links and documents will be posted on the course's ELMS/Canvas website. Students can access the site via www.elms.umd.edu. They will need to use their University of Maryland "directory ID" and password.

Contact Hours: Three credit master's-level 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 workload 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. However, the DC program takes just 1 week off between terms. 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 "normal" full-time load in the traditional semester-based program ($8/6 = 1.33$).

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.

Excused Absences: If you miss any class meetings for any reason, it is your responsibility to work with the instructor 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. When classes need to be canceled during the semester, we make every effort to schedule makeup classes.

UMD Counseling Center: Sometimes students experience academic, personal and/or emotional distress. The UMD Counseling Center in Shoemaker Hall provides free, comprehensive, and confidential counseling / mental health services that promote personal, social, and academic success. All Counseling Center services are completely free for enrolled students. Proactively explore the range of services available at the Counseling Center, including the Counseling Service and Accessibility and Disability Service described at <http://www.counseling.umd.edu/>

Graduate Academic Counselor: The UMD Graduate School also has an academic counselor available to support students who are having difficulty navigating mental health resources on campus, are considering a leave of absence and/or need assistance finding mental health care off campus. The Graduate Academic Counselor also facilitates bi-weekly Graduate Student Circle Sessions which provide an opportunity to learn about resources and connect with other graduate students. Students can learn more about the Graduate Academic Counselor by going to: <https://gradschool.umd.edu/gradcounselor>

Course Evaluations: 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.

Building Access: There is a smartphone app that can be used to enter our building after normal business hours. The program coordinator will provide information about this. We will also provide information about the code for entering the front door of our suite. Please make sure you are receiving the ELMS-Announcements that we send out to the program about these and other important matters.

COVID Policies: Up-to date information about UMD COVID-19 policies and guidance are posted at

<https://umd.edu/4Maryland>

Given the evolving nature of the pandemic, the guidance and policies are subject to change. The plans are always coordinated with state and county health officials, with additional guidance provided by the University System of Maryland. The focus will always be on the health and well-being of our entire campus community.

We strongly urge all students, staff and faculty to read announcements they receive about COVID related guidance and policy, and to stay familiar with the information. We thank you all for your individual efforts to help protect the collective health of our entire community.