



ECON 683 PRO1 – International Macroeconomics and Finance
Master of Sciences in Applied Economics Program
Fall 2023 Washington, DC location: 1400 16th Street, NW

Syllabus – Revised 08-23-23

Instructor: Thomas Rumbaugh (trumbaugh@umd.edu)

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

Office hours: Tuesdays 6-6:45 pm (virtual), and by appointment

Teaching Assistant: Nabil Rizky Ryandiansyah (ryandian@umd.edu) Office Hours: Monday 5:15-6:15 pm (virtual), and by appointment.

Required textbook: Robert Feenstra and Alan Taylor (2021), *International Macroeconomics*, 5th edition, ISBN:9781319218423, New York: Macmillan Learning

Other useful textbooks (material may be added to some lectures):

Stephanie Schmitt-Grohe, Martin Uribe, and Michael Woodford (2022). *International Macroeconomics: A Modern Approach* (2022), Princeton University Press.

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

Maurice Obstfeld and Kenneth Rogoff (2002). *Foundations of International Macroeconomics*, The MIT Press

Prerequisites: ECON 642 and ECON 644.

Course Website: Copies of the course syllabus, your grades, and other relevant links and documents will be posted on ELMS. You can access the site via www.elms.umd.edu. You will need to use your University of Maryland “directory ID” and password.

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

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 for your needs. Please see the subsections below on “Students with Disabilities” and “UMD Counseling Center” for further details.

General Description and 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 role 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 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 textbook, as well as the lecture notes and 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. Some of the discussions will be related to the presentations posted by your fellow classmates that week. The rest will be assigned by me related to the material covered in class. You will have until the following Sunday (11:59 pm) 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 online discussions as well. You are responsible for keeping track of new comments and expressing 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 do not quite get it right will receive C. Discussions that make a casual observation that someone outside the course could have made but do not contribute even marginally to the discussion receive a D.

Problem Sets (15 percent, 5 percent for each problem set):

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 your grade automatically starts from B
- If you fail to submit your work you will get an F.

Presentations (15 percent):

The Obstfeld and Rogoff paper referenced below discusses six major puzzles in international macroeconomics. These puzzles will serve as the basis for class presentations by groups of 2-3 students (depending on class size).

“The Six Major Puzzles in International Macroeconomics: Is There a Common Cause?” (2000) by Obstfeld and Rogoff, *NBER Macroeconomics Annual*, Vol 25, MIT Press: 339-412.

Presentations will take place throughout the semester:

Sept 13: Presentation 1 Puzzle 5 & 6 (The Purchasing-Power-Parity Puzzle (Puzzle5))

Sept 27: Presentation 2 Puzzle 2 (The Feldstein-Horiok Puzzle)

Oct 11: Presentation 3 Puzzle 4 (The International Consumption Correlations Puzzle)

Oct 18: Presentation 4 Puzzle 1 (The Puzzle of Home Bias in Trade)

Nov 1: Presentation 5 Puzzle 3 (The Puzzle of Home Bias in Equity Portfolios)

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 an active role in presentations, but how you divide the work is at your discretion
- Please see the notes posted on ELMS regarding the selection process for presentation topics and partners, as well as the note on appropriate conduct in graduate seminars.
- Total score for presentation is 100. A successful presentation will have:
 - o An introductory overview of the puzzle and why it is important (10 points)
 - o What the puzzle is and the authors’ suggested solution to solve it (10 points)
 - o 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 the paper but explain what the results are and why they are important (30 points)
 - o 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 is room for improvement (20 points)
 - o 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 do not have lengthy sentences, and they use graphs and charts to help engage the audience (20 points)
 - o Being able to answer questions will lead to a higher grade as well (10 points)
- Remember to send your slides by 5 PM on the Friday before your presentation 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 Project: (20 percent)

The data-based assignment requires students to access data from a variety of possible sources, including *International Finance Statistics*, *Direction of Trade Statistics*, or other relevant sources. The project involves selecting a country of your choice (subject to approval) to analyze trends in its exchange rate and calculate the exchange rate in both nominal and real effective terms.

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 again if needed.
- For this assignment you must create a report: Your report should include a full discussion of your work with clear references to any graphs and tables that you create. Writing should be clear and concise. (40 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 sources, as well as a footnote if something needs explanation. (25 points)
- Graphs should look professional for presenting in a paper. Graphs must be created from your data sources, have a number, title, and axis labels. (25 points)
- Create your report as a PDF. You will submit everything electronically before class on the due date. (10 points)
- More detailed instructions will be posted on ELMS

Midterm (20 percent): A mix of multiple choice and longer answer questions.

Final Exam (20 percent): A 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.

Class Schedule (weekly agendas are subject to change and will be announced on ELMS as needed)

NOTE: The required textbook is referred to as "FT."

Week 1 (Aug 30)

Introduction to the global macroeconomy: Mathematical background & introduction; discussion of presentation schedule and group set up.

Read: FT Chapters 1 & 2 (pp. 21-40).

Participate in discussion 1 by Sunday 11:59pm

Week 2 (Sept 6)

Balance of Payments, Global Financial Markets, and Exchange rates

Read: FT Chapters 2 (pp 40-53) and 5

You must submit your presentation topic selection by this class

Participate in discussion 2 by Sunday 11:59pm

Week 3 (Sept 13)

Money and Exchange rates I: Long Run Purchasing Power Parity (PPP)

Read: FT Chapter 3

Presentation 1: Puzzle 5 (The Purchasing Power Parity Puzzle)

Participate in discussion 3 by Sunday 11:59pm.

Week 4 (Sept 20)

Money and Exchange rates II: Monetary and Asset Approaches, Overshooting

Read: FT Chapter 4

Problem set 1 due Friday Sept 22

Participate in discussion 4 by Sunday 11:59pm.

Week 5 (Sept 27)

Exchange rates, trade balance, and the current account; Marshall-Lerner Conditions; The Trilemma

Read: FT Chapter 7 (Appendix 1 and 2)

Presentation 2; Puzzle 2 (The Feldstein-Horiok Puzzle)

Participate in discussion 5 by Sunday 11:59pm

Optional virtual review session for midterm exam (to be announced)

Week 6 (Oct 4)

Short Review followed by **Midterm Exam**

Participate in discussion 6 by Sunday 11:59pm

Week 7 (Oct 11)

Balance of Payments: Output, Exchange Rates, and Macro Policies

Read: FT Chapters 6-7

Presentation 3: Puzzle 4 (The International Consumption Correlations Puzzle)

Participate in discussion 7 by Sunday 11:59pm

Week 8 (Oct 18)

Mundell-Fleming Model, fixed versus floating exchange rates

Read FT Chapter 8

Presentation 4 Puzzle 1 (The Puzzle of Home Bias in Trade)

Problem set 2 Due Friday Oct 20

Participate in discussion 8 by Sunday 11:59pm

Week 9 (Oct 25)

Fixed vs. Floating continued, Portfolio Balance Model

FT: Chapter 9

Participate in discussion 9 by Sunday 11:59pm

Week 10 (Nov 1)

Fixed exchange rates and optimum currency areas

Read FT Chapter 10

Presentation 5 Puzzle 3 (The Puzzle of Home Bias in Equity Portfolios)

Turn in Completed Project Report by Friday Nov 3

Participate in discussion 10 by Sunday 11:59pm

Week 11. (Nov 8)

Topics in international macroeconomics and review

Read FT Chapter 11

Problem set 3 Due Friday 12

Participate in discussion 11 by Sunday 11:59pm

Optional virtual review for final exam (to be announced)

Week 12 (Nov 15)**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 to 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.

Workload: 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. In a regular 15-week semester (as in the College Park version of our program): Taking 3 master's-level courses is supposed to approach the time commitment of a full-time job (~36-39 hours per week, so 12-13 hours per week per course). Taking 3 master's-level courses while simultaneously working at a demanding full-time job during the day is not advisable. Students with questions about the workload in this program should speak with one of the program directors.

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 another 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/>

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 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 them at 301-314-7682 or adsfrontdesk@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 biweekly 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 and Other Health Policies: Up-to-date information about UMD COVID-19 policies and guidance are posted at <https://umd.edu/4Maryland>. Given the unpredictable nature of pandemics, the guidance and policies are subject to change. 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 other health-related matters), 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.