Economics 642 International Finance Syllabus

Winter 2011

Linda Tesar, Jing Zhang

Lecture: Monday and Wednesday 2:30-4:00 pm in Dennison 120
Office hour: by email
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This is a doctoral level course in international finance and macroeconomics. Topics covered in the course include small open economy models, two-country general equilibrium models, international business cycles, puzzles in international economics, models of exchange rate determination, global capital flows, sovereign debts and defaults and financial crises.

Reference Books for this course:


Articles can be downloaded from journal websites (link from the Economics Department homepage to Foster Library to the journals collection), from JSTORE, Science Direct, ProQuest or from the NBER Working papers site (http://www.nber.org/). If you have trouble locating a particular article, please let me know and I will make copies available.

Requirements:

1. **Class Participation** (10% of final grade). You are expected to attend the class regularly, read papers before class, and participate actively in class discussion.

2. **Problem sets** (60% of final grade). There are three problem sets, which require some programming. Students are permitted to discuss answers to problem sets with each other. Copying from another student’s answers is not allowed. No late homework is accepted.

3. **Referee Reports and In-Class Presentation** (30%). You will give a 40-minute in-class presentation and a referee report of the research paper that we agree on. We need to discuss and select the research paper that you work on before **mid March**.
Course Outline and Readings:

1. Small Open Economy Models

   FIM, chapters 1 – 3.


2. Two-Country Models


3. Puzzles in International Macroeconomics


   a Consumption and Home Bias


   b Feldstein-Horioka Puzzle


   c Business cycles in emerging markets

4. Capital Flows


5. Sovereign debt

a Classical theory


b Sovereign debt: Recent extensions


6. Financial Crisis

a Empirical facts


b Theoretical models


7. Sudden Stops


8. Nominal Exchange Rates

a. Nominal exchange rates: Facts


b. Nominal exchange rates: Theory

Mark, N. chapter 9.

