




UNIVERSITY OF COLORADO  
Department of Economics

**ECON4423: International Finance**

Outline Fall 2010

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Instructor: Martin Boileau  
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This course reviews selected topics from both international finance and open-economy macroeconomics. From international finance, we will discuss international financial markets and their operations. From open-economy macroeconomics, we will discuss macroeconomic policies and their implications. Obviously, most of our time will be devoted to further our understanding of “exchange rates.”

Here are some stylized facts:

1. Real and nominal exchange rates are highly correlated.
2. Changes in both real and nominal exchange rates are persistent.
3. Forward exchange rates are poor and biased predictors of future spot exchange rates.
4. International differences in interest rates are large and persistent.
5. Portfolios are not internationally diversified.
6. The extent of international consumption risk-sharing is less than expected.
7. Savings and investment are highly correlated.
8. The trade balance and the current account are countercyclical.
9. Business cycles are correlated across countries.

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The assessment for this class consists of three assignments, two tests, and one final examination. The tests and final are closed notes and closed books. No make-up tests will be given. The schedule and grade distribution is

	Week	Date	Time	Location	%
Assignment 1	5	23 September	9:30	EDUC 155	5
Term Test 1	6	30 September	9:30	EDUC 155	25
Assignment 2	10	28 October	9:30	EDUC 155	5
Term Test 2	11	2 November	9:30	EDUC 155	25
Assignment 3	16	7 December	9:30	EDUC 155	5
Final Exam	Finals	15 December	4:30–7:00 pm	EDUC 155	35

**Note:** Students who may need academic accommodations should discuss options with the professor no later than 31 August.

## Required Text

Feenstra, R. and A. Taylor (2008) *International Macroeconomics*, New York: Worth Publishers.

## Additional Text

Frankel, J. and A. Razin (1996) *Fiscal Policies and the World Economy*, Cambridge: The MIT Press.

Grossman, G. and E. Helpman (1991) *Innovation and Growth in the Global Economy*, Cambridge: The MIT Press.

Grossman, G. and K. Rogo (1995) *Handbook of International Economics*, vol. 3, Amsterdam: North-Holland.

Jones R. and P. Kennen (1985) *Handbook of International Economics*, vol. 1 and 2, Amsterdam: North-Holland.

Obstfeld, M. and K. Rogo (1996) *Foundations of International Macroeconomics*, Cambridge: The MIT Press.

van der Ploeg, F. (1994) *The Handbook of International Macroeconomics*, Oxford: Basil Blackwell Ltd.

**P t 1: I t d t t I t t F**

**1. Introduction**

Feenstra and Taylor: Chapter 1.

**P t 2: x h g t**

**2. The Foreign Exchange Market**

Feenstra and Taylor: Chapter 2 and Chapter 11.2.

**3. The Monetary Approach in the Long Run**

Feenstra and Taylor: Chapter 3 and Chapter 11.1.

**4. The Asset Approach in the Short Run**

Feenstra and Taylor: Chapter 4.

**P t 3: Th B f P ym t**

**5. Income, Wealth, and the Balance of Payments**

Feenstra and Taylor: Chapter 5.

**6. The Gains from Financial Globalization**

Feenstra and Taylor: Chapter 6.

**7. Output, Exchange Rates, and Macroeconomic Policies in the Short Run**

Feenstra and Taylor: Chapter 7.

**P t 4: P y I**

**8. Fixed versus Floating**

Feenstra and Taylor: Chapter 8.

**9. Exchange Rate Crises**

Feenstra and Taylor: Chapter 9.