TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI

VICTORIA
UNIVERSITY OF WELLINGTON

School of Economics and Finance

ECON413 INTERNATIONAL ECONOMICS: MONETARY

Trimester 2 2012

COURSE OUTLINE

Names and Contact Details
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Any administrative matters should be brought to the attention of Bonnie Riley, RH321, ext 5380, Bonnie.Riley@vuw.ac.nz. Office hours are 9am-12pm and 1-4pm.

Trimester Dates
Teaching Period: Monday 16 July – Friday 19 October
Study Period: Monday 22 October – Thursday 25 October (Monday 22 October is a public holiday, Labour Day)
Examination Period: Friday 26 October –Saturday 17 November (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 27 July 2012.

2. The standard last date for withdrawal from this course is Friday 28 September. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an '*Application for Associate Dean's Permission to Withdraw Late*' including supporting documentation.

The application form is available from either of the Faculty's Student Customer Service Desks.

Class Times and Room Numbers
Lectures are on Tuesdays, between 9:30AM and 1130AM, in RWW125.

Course Content
This course provides an introduction to the key issues and analytic techniques used in international macroeconomics. The course investigates a set of standard modern dynamic intertemporal models of the economy, in an international setting. The models have microeconomic foundations and provide a basis for understanding international investment flows and current account issues. The course is based on Obstfeld and Rogoff's classic text, "Foundations of International Macroeconomics".

Course Learning Objectives
By the end of this course, students should be able to:

1. Use standard maximisation techniques (Lagrange methods) to calculate optimising solutions to economic problems (with applications to international and intertemporal problems).
2. Use various econometric methods to evaluate economic hypotheses based on time series data.
3. Use numeric methods to find solutions to non-linear economic problems.
4. Read and understand technical journal articles on international economics.
5. Evaluate and participate in debates about international economic policy.

Course Delivery
The course will primarily comprise lectures.

Expected Workload
ECON413 is a 15-point course, so students are expected to put in a total of 150 hours over the 15 week period (the 12 teaching weeks, mid-trimester break, study week and the examination period). Time spent on work outside class has to be an estimate for an average student.

Group Work
Not applicable for this course.

Readings
Main textbook: Foundations of International Macroeconomics (1996), Obstfeld, Maurice and Kenneth Rogoff, Cambridge, MIT Press (OR).

Another useful, less technical text: International Macroeconomics, (2011), unpublished textbook, Stephanie Schmidt-Grohe and Martin Uribe http://www.columbia.edu/~mu2166/UIM/notes.pdf.

If you wish to refresh the basic concepts consider: International Economics: Theory and Policy, 9th edition, Paul Krugman and Maurice Obstfeld, Addison-Wesley.

We will also be using a number of articles to supplement the main text, deepen our understanding of selected topics, and follow the most recent debate in the literature and policy circles. Articles will be added as we progress, and posted on Blackboard.

Last but not least, treat this list of topics as a wish-list. Time constraints will force us to deviate at times.

Topics

0. Preliminaries
   a. Basic methods of constrained optimization

   OR, 715-718 and other basic math textbooks

1. Current account
   a. Intertemporal approach to current account determination

   OR Ch 1

Obstfeld, Maurice and Kenneth Rogoff, "The Intertemporal Approach to the Current Account",in G. Grossman and K. Rogoff (ed.), Handbook of International Economics, volume 3, ch. 34.

b. Adjustment of current account to shocks

OR Ch 2

Nason, James, and John H. Rogers, (2006), "The present-value model of the current account has been rejected: Round up the usual suspects", Journal of International Economics, 68(1), 159-187

Kim, Kunhong, Viv Hall and Robert Buckle (2006) "Consumption-smoothing in a small, cyclically volatile open economy: Evidence from New Zealand" Journal of International Money and Finance 25(8) 1277-1295

c. Current account in small and large economies

Parts of OR Ch 1, 2

d. Government spending and the current account

OR Ch 3

2. Exchange rates and terms of trade
    a. Real and nominal exchange rates

OR Ch 4.1-4.4

SGU Ch 7 (easier)

Balassa, B. (1964) "The Purchasing Power Parity Doctrine: A Reappraisal." Journal of Political Economy v72 584 - 596

Rogoff, Kenneth (1996) "The Purchasing Power Parity Puzzle" Journal of Economic Literature 34(2) (June 1996) 647-668.

Meese, Richard A. and Kenneth Rogoff (1983) "Empirical Exchange Rate Models of the Seventies: Do They Fit Out of Sample?" Journal of International Economics 14(1-2), 3 - 24.

b. Terms of trade

OR Ch. 4.5

3. Monetary policy, globalization, and financial markets
    a. Globalization of financial markets

OR Ch 6

Obtfeld, Maurice and Kenneth Rogoff(2000). "The Six Major Puzzles in International Macroeconomics: Is There a Common Cause?" in B. Bernanke and K. Rogoff (eds.), NBER Macroeconomic Annual 2000, Cambridge, MIT Press.

Feldstein, Martin, and Charles S. Horioka (1980) "Domestic savings and international capital flows," Economic Journal 90 314-319

Rodrik, D. (2000). "How Far Will International Economic Integration Go?", Journal of Economic Perspectives, Volume 14, Number 1, pages 177-186.

Prasad, E., K. Rogoff, S-J. Wei, and M. Ayhan Kose (2007). "Effects of Financial Globalization on Developing Countries", in A. Harrison (ed.), Globalization and Poverty, University of Chicago Press.

b. Monetary policy under flexible and sticky prices

Selected parts of OR Ch 8, 9, 10

c. External debt and financial crises

SGU Ch 9 and other readings

Materials and Equipment
There are no specific materials and equipment for the course.

Assessment Requirements
The grade will consist of assignments (25%), midterm test (25%), and a cumulative final exam (50%).

The final exam will last 2 hours and will be announced on Blackboard after it is scheduled by the University.

The midterm test will take place in the week of August 20. There will be no make-up test. If you miss the midterm test, you will have the opportunity to shift half of its weight (12.5%) to the final exam, but the other half will be lost.

In addition, if you are not satisfied with your performance on the midterm test, you will have the opportunity to improve your overall grade by changing the weight distribution between the midterm and the final exam. Specifically, you will be able to choose one of two midterm-final weighting schemes: either 25%-50%, or 15%-60%.

There will be five assignments handed out during the course, each worth 5% of your grade. These will give you an opportunity to apply and confirm the concepts you learn in the course.

Quality Assurance Note
Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCom programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

Examinations
Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period.

The final examination for this course will be scheduled at some time during the period from Friday 26 October – Saturday 17 November (inclusive).

Penalties
Except with class agreement, work that is handed in late without prior arrangement will be penalised at 20% per day.

Mandatory Course Requirements
There are no mandatory requirements for passing the course.

Class Representative
A class representative will be elected in the first class, and that person's name and contact details made available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

Communication of Additional Information
Lecture notes and assignments will be handed out in class and posted on Blackboard. Subject to class permission, I would like to email to all class members additional information if needed.

For the following important information follow the links provided:

Academic Integrity and Plagiarism
http://www.victoria.ac.nz/home/study/plagiarism.aspx

General University Policies and Statutes
Find key dates, explanations of grades and other useful information at
www.victoria.ac.nz/home/study
Find out about academic progress and restricted enrolment at
http://www.victoria.ac.nz/home/study/academic-progress.aspx
The University's statutes and policies are available at www.victoria.ac.nz/home/about/policy, except qualification statutes, which are available via the Calendar webpage at
http://www.victoria.ac.nz/home/study/calendar.aspx (See Section C).
Further information about the University's academic processes can be found on the website of the Assistant Vice-Chancellor (Academic) at
www.victoria.ac.nz/home/about_victoria/avcacademic/default.aspx

AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support
http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx

Faculty of Commerce Office
http://www.victoria.ac.nz/fcom/studenthelp/

Te Putahi Atawhai
Maori and Pacific Mentoring Programme
http://www.victoria.ac.nz/tpa/