Macroeconomic Policy and International Financial Regulation
(preliminary, subject to revision)

1. INTRODUCTION

This course surveys international macroeconomics, with special reference to international monetary policy and international financial market architecture. Topics include the structure of international financial markets; the role of central banks; exchange-rate systems; the determination of balance of payments and exchange rates; macroeconomics of open economies; policy analysis for open economies; policy coordination; the International Monetary Fund; and financial crises.

The aim of this course is to provide an analytical background for those who plan to go into government service, international organizations and agencies, businesses involved in the global economy, nongovernmental organizations with international foci, and consulting firms analyzing international policy issues.

Only those who are comfortable with algebraic and graphical analysis should enroll in this course. It requires sustained immersion in relevant economic theory, and does not present a primarily descriptive or historical approach.

2. OFFICE HOURS

Menzie Chinn
Office Hours: M 12-1:30, W 11:45-12:15
7418 Social Sciences Bldg., 262-7397
e-mail: mchinn@lafollette.wisc.edu

Updated information will be posted on the course website, http://www.ssc.wisc.edu/~mchinn/web854_f17.html, and at Learn@UW for restricted material

3. SCHEDULE AND READINGS

The required textbook are chapters from Chinn-Irwin International Economics [draft], online at Learn@UW. The recommended textbook is Caves, Frankel and Jones, World Trade and Payments, 10th Edition (Addison-Wesley Longman, 2006), which is available from Amazon. Additional required readings will be assigned during the semester from the Web. You will also be expected to read news articles related to current events, in either Reuters, Bloomberg, New York Times or the Economist. In addition, I will refer to the following weblog for current macroeconomic commentary: http://www.econbrowser.com.
<table>
<thead>
<tr>
<th>LEC.</th>
<th>DATES</th>
<th>CFJ</th>
<th>CI</th>
<th>WEB</th>
<th>TOPICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>9/6</td>
<td></td>
<td></td>
<td>WEO</td>
<td>Intro</td>
</tr>
<tr>
<td>3-4</td>
<td>9/13-18</td>
<td>16.1-2,</td>
<td>10</td>
<td>BIS</td>
<td>Foreign exchange market</td>
</tr>
<tr>
<td>5-6</td>
<td>9/20-25</td>
<td>17.1-4</td>
<td>11</td>
<td>Elast</td>
<td>Keynesian model; multipliers</td>
</tr>
<tr>
<td>7-8</td>
<td>9/27-10/2</td>
<td>17.5-6, 18.1-2</td>
<td>11.6-7</td>
<td></td>
<td>Large country effects; transmission of effects</td>
</tr>
<tr>
<td>9-11</td>
<td>10/4-11</td>
<td>18.3,22.</td>
<td>12</td>
<td>OECD</td>
<td>Mundell-Fleming, fixed exchange rates</td>
</tr>
<tr>
<td>12</td>
<td>10/16</td>
<td></td>
<td></td>
<td></td>
<td>MIDTERM 1</td>
</tr>
<tr>
<td>13-15</td>
<td>10/18-25</td>
<td>23</td>
<td>13</td>
<td></td>
<td>Mundell-Fleming, floating exchange rates</td>
</tr>
<tr>
<td>16-17</td>
<td>10/30-11/1</td>
<td>26.1</td>
<td>14</td>
<td>ADAS</td>
<td>Aggregate demand/aggregate supply</td>
</tr>
<tr>
<td>18</td>
<td>11/6</td>
<td></td>
<td></td>
<td>CC-LM, Br.</td>
<td>Banks in IS-LM</td>
</tr>
<tr>
<td>19-21</td>
<td>11/8-15</td>
<td>27.2,4-6, 28</td>
<td>15</td>
<td>Bub.,PP</td>
<td>Monetary models of exchange rates</td>
</tr>
<tr>
<td>22</td>
<td>11/20</td>
<td></td>
<td></td>
<td></td>
<td>MIDTERM 2</td>
</tr>
<tr>
<td>23</td>
<td>11/22</td>
<td></td>
<td></td>
<td></td>
<td>No meeting</td>
</tr>
<tr>
<td>24-25</td>
<td>11/27-29</td>
<td>24</td>
<td>16</td>
<td>Fr.</td>
<td>Emerging market financial crises</td>
</tr>
<tr>
<td>26-29</td>
<td>12/4-13</td>
<td></td>
<td>17</td>
<td></td>
<td>Global Financial Crisis/Euro area crisis</td>
</tr>
</tbody>
</table>

**Web Required Readings**

- **Elast**: Notes on the Elasticities Approach
- **ADAS**: Notes on AD/AS
- **CC-LM**: Notes on CC-LM
- **Bub**: Notes on Bubbles

### 4. GRADING

Letter grading is determined as follows:

- 10% Problem sets
- 50% Two midterm exams (25% each)
- 40% Term paper

There will be no make-up midterm exams. Missed midterm exams will increase accordingly the weight assigned to the other midterm and the term paper. Assignments will be handed into me in
lecture on the indicated date. Late assignments will not be accepted for credit. Although the problem sets do not constitute a large portion of the grade, I strongly encourage you to do the assignments in a timely and serious fashion. The problem sets provide valuable information regarding your grasp of the concepts.

5. THE TERM PAPER

A 15 page term paper will be due at the end of the semester. The paper will be structured as a memo written for a policymaker. You will have latitude in terms of the choice of topic. However, I will be able to give you more guidance on certain topics than others. Additional details regarding this assignment, along with suggested readings, will be provided later in the term.

6. LEARNING GOALS

I. Knowledge
   A. Students will demonstrate understanding of major current and past policy debates, research findings, and analytical methodologies in macroeconomics and international finance.
   B. Students will demonstrate critical thinking skills. They will retrieve and examine the policy literature and evaluate evidence for and against hypotheses, identify knowledge gaps, strengths and weaknesses in existing literature, synthesize knowledge, and develop conclusions.

II. Applied Research
   A. Students will read, comprehend, and effectively summarize policy research and policy-relevant academic research.
   B. Students will effectively summarize data for a policy audience.

III. Communication
   A. Students will communicate in clear written language: a real-world policy problem, relevant scholarly studies and practical applications, a policy-analytic method to investigate the problem, and client-oriented advice to mitigate the problem.
   B. Students will communicate substance of point A highly concisely and in language understandable to a non-specialist.