



**Public Affairs 854: Macroeconomic Policy and International Financial Regulation
Spring 2021 (3 units) [PRELIMINARY, SUBJECT TO REVISION]**

Counts toward 50% graduate coursework requirement

MW 11AM-12:15PM

This class meets for two 75-minute class periods each week over the fall semester and carries the expectation that students will work on course learning activities (reading, writing, problem sets, studying, etc.) for about 3 hours out of classroom for every class period

Course website: http://www.ssc.wisc.edu/~mchinn/web854_s21.html

INSTRUCTOR

Professor Menzie Chinn
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COURSE DESCRIPTION

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.

Requisites: Graduate standing, and Public Affairs 880, or one macro or micro course.

LEARNING OUTCOMES

- Knowledge
 - Students will demonstrate understanding of major current and past policy debates, research findings, and analytical methodologies in macroeconomics and international finance.
 - 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.
- Applied Research
 - Students will read, comprehend, and effectively summarize policy research and policy-relevant academic research.
 - Students will effectively summarize data for a policy audience.
- Communication
 - 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.
 - Students will communicate substance of point A highly concisely and in language understandable to a non-specialist.

GRADING

- 10% problem sets
- 50% midterm exams (x2),
- 40% term paper
- Final grade is based on curve of final aggregate scores
- Attendance and class participation are not part of the grading

REQUIRED TEXTBOOK, SOFTWARE & OTHER COURSE MATERIALS

- Chinn-Irwin International Economics [draft]
- Recommended textbook is Caves, Frankel and Jones, World Trade and Payments, 10th Edition (Addison-Wesley Longman, 2006)
- Other required materials listed below under schedule.
- Some readings from <http://www.econbrowser.com>

EXAMS, QUIZZES, PAPERS & OTHER MAJOR GRADED WORK

- Midterm exams on 3/8, 4/12
- Exams are in-class, closed-book, no calculators, cumulative,
- No make-up exams; missed exam points will be apportioned to other components of the grade (with approved excuse).
- 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.

HOMEWORK & OTHER ASSIGNMENTS

- Problem sets can be done in groups.
- Problem sets are to be submitted in lecture. No late problem sets accepted.

| LEC. | DATES | CFJ | CI | WEB | TOPICS |
|-----------|-------------|----------------|--------|---------|--|
| 1-2 | 1/25-27 | | | WEO | Intro |
| 3-4 | 2/1-3 | 15 | 11 | | Nat'l income, balance of payments acctg. |
| 5-6 | 2/8-10 | 16.1-2, | 12 | BIS | Foreign exchange market |
| 7-8 | 2/15-17 | 17.1-4 | 13 | Elast | Keynesian model; multipliers |
| 9 | 2/22 | 17.5-6, 18.1-2 | 13.6-7 | | Large country effects; transmission of effects |
| 10-11 | 2/24-3/ | 18.3,22 | 14 | Blanch | IS-LM and Covid Recession |
| 12-14 | 3/3-10 | | | | Mundell-Fleming, fixed exchange rates |
| 13 | 3/8 | | | | MIDTERM 1 |
| 15-17 | 3/15-22 | 23 | 15 | OECD | Mundell-Fleming, floating exchange rates |
| 18-19 | 3/24-29 | 26.1 | 16 | | Aggregate demand/aggregate supply |
| 20-24 | 3/31-4/14 | 27.2,4-6, 28 | 17 | Bub.,PP | Models of exchange rates |
| 23 | 4/12 | | | | MIDTERM 2 |
| 25 | 4/19 | 24 | 18 | Fr. | Emerging market financial crises |
| 26 | 4/21 | | | | Guest Lecture: S. Kamin |
| 27 | 4/26 | | 19 | | The global financial crisis |
| 28 | 4/28 | | 20 | | Euro area crisis |

Web Required Readings

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|--------|---|
| WEO: | IMF, <i>World Economic Outlook</i> (October 2020). |
| BIS: | Schrimpf, Sushko, "Sizing up global foreign exchange markets," BIS Quarterly Report (Dec 2019): 21-38. |
| Elast. | Notes on the Elasticities Approach |
| Blanch | Blanchard, The Covid Economic Crisis, <i>Macroeconomics</i> . |
| OECD: | Hervé, K. et al., 2010, "The OECD's New Global Model", <i>OECD Economics Department Working Papers</i> , No. 768 (Paris: OECD, September). |
| PP: | M. Pakko and P. Pollard, 2003, "Burgernomics: a big Mac guide to purchasing power parity," <i>Federal Reserve Bank of St. Louis Review</i> 85(6): 9-28. |
| Fr: | J. Frankel, 2003, "Experience of and lessons from exchange rate regimes in emerging economies," mimeo (Cambridge: Harvard University, September). |
| Shamb | J. Shambaugh, The Euro's Three Crises, BPEA (2012). |

RULES, RIGHTS & RESPONSIBILITIES

See the Guide's to Rules, Rights and Responsibilities

ACADEMIC INTEGRITY

By enrolling in this course, each student assumes the responsibilities of an active participant in UW-Madison's community of scholars in which everyone's academic work and behavior are held to the highest academic integrity standards. Academic misconduct compromises the integrity of the university. Cheating, fabrication, plagiarism, unauthorized collaboration, and helping others commit these acts are examples of academic misconduct, which can result in disciplinary action. This includes but is not limited to failure on the assignment/course, disciplinary probation, or suspension. Substantial or repeated cases of misconduct will be forwarded to the Office of Student Conduct & Community Standards for additional review. For more information, refer to <http://studentconduct.wiscweb.wisc.edu/academic-integrity/> .

ACCOMMODATIONS FOR STUDENTS WITH DISABILITIES

McBurney Disability Resource Center syllabus statement: "The University of Wisconsin-Madison supports the right of all enrolled students to a full and equal educational opportunity. The Americans with Disabilities Act (ADA), Wisconsin State Statute (36.12), and UW-Madison policy (Faculty Document 1071) require that students with disabilities be reasonably accommodated in instruction and campus life. Reasonable accommodations for students with disabilities is a shared faculty and student responsibility. Students are expected to inform faculty [me] of their need for instructional accommodations by the end of the third week of the semester, or as soon as possible after a disability has been incurred or recognized. Faculty [I], will work either directly with the student [you] or in coordination with the McBurney Center to identify and provide reasonable instructional accommodations. Disability information, including instructional accommodations as part of a student's educational record, is confidential and protected under FERPA." <http://mcburney.wisc.edu/facstaffother/faculty/syllabus.php>

DIVERSITY & INCLUSION

Institutional statement on diversity: "Diversity is a source of strength, creativity, and innovation for UW-Madison. We value the contributions of each person and respect the profound ways their identity, culture, background, experience, status, abilities, and opinion enrich the university community. We commit ourselves to the pursuit of excellence in teaching, research, outreach, and diversity as inextricably linked goals.

The University of Wisconsin-Madison fulfills its public mission by creating a welcoming and inclusive community for people from every background – people who as students, faculty, and staff serve Wisconsin and the world." <https://diversity.wisc.edu/>