

ECO 5715 - Open Economy Macroeconomics

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Course Overview:

Macroeconomics is concerned with the determination of a country's output, inflation, interest rates, exchange rates, & trade balance. This course adopts a highly international perspective, considering the international linkages arising from capital & trade flows as well as a comparison of macroeconomic policies and performance across countries. In addition the course examines the effects of macroeconomic events on the international business environment. By the end of this course, you should be able to understand the coverage of international macroeconomics presented in print & on TV. Useful sources of macroeconomic news include publications like *The Economist*, *The Wall Street Journal*, & *Business Week* & TV shows like *Ahead of the Curve* & *Moneyline*.

Prerequisites:

Students should have some familiarity with economic terminology & the analysis of supply and demand as presented in ECO 5702

Grading:

There will be a midterm worth 50 points and a final worth 100 points. There may also be 2 problem sets worth 10 points each and a case study worth 5 points. You must work in groups on the problem sets and case study & turn in one group answer.

Text:

Tests are based on lectures. Class notes are your most important resource. The lectures are taken from *Macroeconomics* by Olivier Blanchard (Second edition). The study guide is optional but many students find it useful, it may not be available until mid September.

Website:

There are several useful websites that you may want to access.

Paul Krugman is a top researcher who is really good at explaining his ideas to educated laymen & making comments on current events. He writes a column for the *New York Times*. Access is free, but you must register. <http://www.nytimes.com/library/opinion/> CNN Financial News, Hot Stories, The Economy posts short news stories about current events. <http://www.cnnfn.com/news/economy/>

Tentative Schedule:

In the schedule that follows, the timing is approximate. Readings are based on the second edition of Blanchard.

Topic

Intro & The Goods Market. Skim Chapter 1 (pp. 3 – 15), Chapter 2 (pp. 20 – 24), & Chapter 3 (pp. 41 – 47, 49 – 54). In Chapter 3, skip the ZZ/45° graph.

Money Market & High Inflation. Chapter 4 (pp.59 – 68), & skim Chapter 23 (pp. 447 – 450, 455 - 460)

Goods & Financial Markets: The IS-LM. Chapter 5 (pp. 79 – 94, 96 -98)

Putting all the Markets Together. Skim Chapter 7 (pp. 128 – 130, 133 –145)

Inflation and Interest Rates, Chapter 14 (pp. 267 – 270, 276 - 283)

Stock Prices, Chapter 15 (pp. 296 – 304)

Openness in Goods & Financial Markets. Chapter 18 (pp. 343 – 358)

Midterm covers material through Chapter 15.

The Goods Market in an Open Economy. Chapter 19 (pp. 361 – 363)

Output, the Interest Rate, and the Exchange Rate. Chapter 20 (pp. 381 – 394).

Porsche Case

Output, the Interest Rate, and the Exchange Rate. Chapter 20 (pp. 381 – 394).

Exchange Rates: Adjustments, Crises, and Regimes.

Chapter 21 (pp. 399 – 413) & Chapter 24 (pp. 472 – 477)

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Chapter 21 (pp. 399 – 413) & Chapter 24 (pp. 472 – 477)

Final, covering Openness (Chapter 18) and subsequent material