Universidad de Alcalá

SYLLABUS

INTERNATIONAL MACROECONOMICS I

Degree in International Economics and Business
Universidad de Alcalá

Academic year 2021/2022

Third year – First semester

SYLLABUS

Subject:	**International Macroeconomics**
Code:	**361006**
Degree:	**Degree in Economics and International Business**
Department: Area:	**Economics** **Foundations of Economic Analysis**
Type:	**Compulsory**
ECTS credits:	**6**
Semester:	**First**
Faculty:	Luciano Campos
Office hours:	**To be defined at the beginning of the course**
Language:	English

1. INTRODUCTION

The module International Macroeconomics I offers an encompassing and up-to-date overview of the international economy. This course sets the basics for a proper understanding of the problems faced by open economies today. Lessons will introduce macroeconomic theory, concepts and data that allow the understanding of the world economy, including both the developed and emergent markets, focusing on relevant topics such as: growth, inflation, interest and exchange rates, and the price of financial assets in a global economy, among others. Theoretical models will provide the tools required for the short and long term assessment of monetary and fiscal policies. Basic concepts and models will be used to assess the causes and consequences of trade deficits and external imbalances, the financial crises in developed and emerging economies, and recent proposals to reform the world financial markets. Case study analyses and discussion of recent documents and working papers will help the student to understand the applicability of theoretical and analytical tools.

The course is divided in two parts. In the first part, the course presents the main theoretical models and tools available to understand how foreign exchange rates and balance of payments are determined. The second part presents how financial shocks affect economies and their effects on production levels, employment and prices, and the impact of fiscal and monetary policy and how they affect adjustment dynamics to shocks in the public and private sectors.

2. LEARNING OUTCOMES

General learning outcomes:

1. Offer a general and integrated view of the fundamental concepts, models and tools of international macroeconomics analysis.
2. Develop the students' skills to apply theoretical concepts to the analysis of the international economy and to assess macroeconomic policy options.
3. Use economic concepts, methods and tools to understand microeconomic problems and assess alternative decisions and outcomes.
4. Mature the skills to develop and make use of basic analytical models.
5. Learn and practice on data sources, data management and exploitation.

Specific learning outcomes:

1. Introduction to the main technical language and key concepts used in international macroeconomics.
2. Ability to provide a critical assessment of economic newspaper articles and reports on international macroeconomics.
3. Acquire a basic knowledge of the main macroeconomic models and techniques.
4. Apply models and techniques to existent macroeconomic challenges through case study analysis.

3. SYLLABUS

Module Contents	Total lecture sessions, credits and hours
Block I: Open-Economy Macroeconomics	
TOPIC 1. Saving, Investment and the Balance of Payments National Income Accounting for an Open Economy. Saving, investment and the Current Account. Foreign indebtedness. Macroeconomic imbalances in open economies. Global imbalances.	

TOPIC 2. Exchange rates and foreign Exchange markets. Exchange rate regimes: theory and evidence. Exchange Rates and International Transactions. The Foreign Exchange Market. Interest Parity. Risk premium.	**4 topics: 15 sessions** • 7 Theory sessions • 6 Practice sessions • 1 Discussion • 1 Evaluation
TOPIC 3. Real Exchange rates and the purchasing power parity theory. Real Exchange rate. Law of One Price and Purchasing Power Parity. A Long-Run Exchange Rate Model Based on PPP. Real Interest Parity.	
TOPIC 4. Monet, prices, exchange rates and interest rates. Money Supply and the Exchange Rate in the Short Run. Money, the Price Level, and the Exchange Rate in the Long Run. Inflation and Exchange Rate Dynamics. Exchange Rate Overshooting	

BLOCK II. Exchange Rates and Open-Economy Macroeconomics	
TOPIC 5. National product, trade balance and the exchange rate. Determinants of Aggregate Demand in an Open Economy. How Real Exchange Rate Changes Affect the Current Account. Output Market Equilibrium	
TOPIC 6. National product, short term Exchange rate with perfect mobility of capital: the basic models. Output, the Exchange Rate, and Asset Market Equilibrium. Short-Run Equilibrium for an Open Economy. Macroeconomic Policies and the Current Account.	**3 Topics: 15 sessions** • 7 Theory sessions • 6 Practice sessions • 1 Discussion • 1 Evaluation
TOPIC 7. National product, short term Exchange rate with perfect mobility of capital II: evidence and policy implications. Effects of temporary and permanent shifts in monetary and fiscal policies. Real and financial shocks and adjustment policies. Stabilization policies.	

4. TEACHING-LEARNING METHODOLOGIES-PRACTICAL WORK

4.1. Distribution of credits (in hours)

Number of classroom hours: 48	- Number of classroom hours: 45 - Theoretical lectures: 22,5 - Practical classes and seminars: 22,5 - Exams: 3
Number of hours of personal study: 102	Hours of independent study: 102 • Preparation and completion of exercises. • Assignments and activities in the virtual platform. • Preparation of exams.
Total hours 150	

4.2. Methodological strategies, materials and didactic resources

Classwork:	✓ **Theoretical sessions** In these lessons the lecturer will present the basic concepts of every topic in the programme. These lectures will guide students through the work they need to complete. ✓ **Practical sessions** The professor will develop practical examples of the issues and key concepts studied in theoretical lectures. The aim of these sessions is to apply topics discussed in the theoretical sessions to case studies. Whenever possible, these practical classes will take place in the computing classroom in order to have access to online data and information. The instructor will prepare *ad-hoc* materials for the students, including: exercises, (online) evaluations, research and economic policy papers and others. The students will develop part of their work within the virtual platform (Blackboard), which will offer access to these materials, including online evaluations, and will facilitate communication between lecturer and students.
Autonomous (independent) work:	Students expected to read and understand

	recommended materials. They also have to solve practical activities and exercises online and during the lessons.
Tutorials:	Tutorials are optional for students and they can be carried out individually or in groups. Consultation hours will be communicated to the students at the beginning of the course.

The students might be required to follow a course at the library (CRAI) to help them develop their skills on the use and management of research data and information.

5. ASSESSMENT: Procedures, assessment criteria and grading system

Assessment criteria
The assessment criteria for this subject are designed to evaluate the acquisition of theoretical and practical skills based on the contents covered during the lessons and in recommended materials (including those covered through independent work).

The student's assessment may follow two possible routes, complemented with an extraordinary exam:

1. Continuous assessment along the semester.
2. A final assessment by a single exam (January)
3. An extraordinary final exam (June).

1. Continuous assessment

This assessment requires students to complete ALL following items:

A. Deliver weekly assignments (exercises, essay writing, etc.) that are designed as practical learning tools. Students will be evaluated placing emphasis on the effort put into the work, rather than academic performance (20% of the final grade).
B. Two exams (80% of the final grade). The first exam will cover the topics in sections I and II and the second one will cover those in section III. These assessments will evaluate student's key knowledge of the main topics in the course.

Requirements to pass the course through continuous assessment:
Students who pass ***the two exams*** and reach at least 5 points in the continuous assessment will pass the course and be awarded a grade ranging from Pass to Excellent.

Grading System

Grading scale with numerical and qualitative ratings:

0.0-4.9	Fail (Suspenso)
5.0-6.9	Pass (Aprobado)
7.0-8.9	Good (Notable)
9.0-10	Very good (Sobresaliente)
9.5-10	Excellent (Matrícula de Honor) (limited to 5% of students in the standard examination session)

2. Ordinary exam

Those students who choose not follow the continuous assessment will do a single exam in January, encompassing all the topics addressed in the subject. This exam will contain theoretical and practical questions. The grading scale mimics that of the continuous assessment. In order to pass students must obtain a minimum of 5 points.

3. Extraordinary exam

Students who do not pass the continuous assessment or ordinary exam for this course must take a final exam in June according to the schedule previously established by the Faculty. This exam will contain theoretical and practical questions. The grading scale mimics that of the continuous assessment. In order to pass students must obtain a minimum of 5 points.

Clarifications

For any circumstances not referred to in this course description, the regulations governing learning assessment procedures, which were approved by the Governing Council on March 24 2011, will be followed. Students must attend all exams bringing their I.D. and the University's Student Card.

The University of Alcalá guarantees that, if due to health requirements, the public authorities prevent teaching activity from taking place on the University's premises, the teaching plans' objectives will be met through an online teaching and evaluation methodology. The UAH commits to return to face-to-face teaching as soon as said impediments cease.

6. BIBLIOGRAPHY

Core reading:

Paul R. KRUGMAN, Maurice OBSTFELD y Marc J.MELITZ: *International Economics Theory and Policy 10th Edition. Global Edition BD*, Pearson, 2016.

Further reading:

FEENSTRA R. C. y A. M. TAYLOR: *International Macroeconomics*. 3rd Edition. MacMillan, 2015.

Stephanie Schmitt-Grohe and Martín Uribe. International Macroeconomic. First draft, Fall 1998 Last updated: June 25, 2014. Notes: http://www.columbia.edu/~mu2166/UIM/notes.pdf

CAVES, R. E., J. A. FRANKEL, R. W. JONES: *World Trade and Payments: An Introduction*. Prentice Hall, 10ª ed. 2007.

TUGORES QUES, J.: *Economía Internacional.* McGraw-Hill, 2005.

KENEN, P. B.: The *International Economy.* 4ª ed., Cambridge University Press, 2000.

DE GRAUWE, P.: *Macroeconomic Theory for the Open Economy*. Gower, 1983.

MCCALLUM, B.: *International Monetary Economics*, Oxford University Press, 1996.

NIEHANS, J.: *International Monetary Economics*, The John Hopkins University Press,1984.

THOMPSON, H.: *International Economics: Global Markets and International Competition.* 2ª ed., World Scientific, 2006.

A series of readings will be recommended by the instructor so as to feed the discussion of ongoing international macroeconomic issues relying on up to date analysis and data.