

**ECONOMICS 4423 (001)**  
**INTERNATIONAL FINANCE**  
**FALL 2008**

**Instructor:** Professor Rebecca Neumann  
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**Class Time and Location:** T, Th 3:30-4:45 p.m. / ECON 119  
**Office Hours:** T, Th 1:30-3:00 p.m., and by appointment  
**WebPage:** CULearn site

**Course Description:**

The purpose of this course is to address the core issues in international finance (otherwise known as open-economy macroeconomics or international macro). This is an exciting time to be studying international finance. The world is becoming increasingly globalized, with the result that the events in one region directly affect those in another. There is also an ongoing debate regarding the “international financial architecture” and the roles of such institutions as the World Bank and the IMF. We will examine these issues (and many more...) in this class.

**Attendance:**

Should you choose not to attend a lecture, it is your responsibility to get a copy of the class notes from one of your classmates (I do not give out my notes since that would be unfair to those who attend class). Many test questions will cover material not discussed in the textbook.

**Course Readings and Requirements:**

Course Prerequisites:  
Econ 3080

There is one required textbook:

- Robert Feenstra and Alan Taylor, *International Macroeconomics*, 2008, Worth Publishers.

To ensure that the course is of a timely nature, there will also be a number of articles that I will make available to you either in class or via the CULearn website. These additional readings are required for the course and exam questions may cover them.

**Grades:**

Midterm Exam	40%
Final Exam	60%

**Exams:**

There will be one midterm exam and one final exam. The examinations will consist of definitions, multiple choice, short-answer questions and longer essays/problems. Exam material will be taken from assigned readings and lectures. The final exam is cumulative.

**No makeup exams** will be given. If you miss an exam, you will receive a zero. There is one exception to this rule. In the event that you do not take the midterm exam, the weight of the final exam may be increased only if i.) you are ill and can provide proof (a letter from the student health center) or ii.) you have a **prearranged** excused absence from me.

**Participation:**

To really understand economics, you need to practice the skills and apply the material learned in class. Thus, there will be a number of problems to be completed during the course. It is up to you to complete the problems. They will not be graded, nor will they be collected on a regular basis. These problems will be discussed in class and students may be asked to provide their answers on the board.

**Grading Scale:**

<b>Your Score</b>	<b>Grade</b>
93% to 100%	A
90% to 92%	A-
87% to 89%	B+
83% to 86%	B
80% to 82%	B-
77% to 79%	C+
73% to 76%	C
70% to 72%	C-
67% to 69%	D+
63% to 66%	D
60% to 62%	D-
Below 59.5%	F



**COURSE OUTLINE:****(subject to change; see CULearn course website for specific topics/dates as we go)**

<b>Topic</b>	<b>Reading (Problem Set)</b>
I. Introduction to the Global Macroeconomy Week 1 – intro to foreign exchange, balance of payments	Ch. 1
II. Introduction to Exchange Rates and the Foreign Exchange Market Weeks 2, 3 – exchange rates, fx market, interest parity	Ch. 2 (PS 1)
III. Exchange Rates I: the monetary approach (long run) Weeks 4, 5, 6 – purchasing power parity, monetary model of the exchange rate	Ch. 3 (PS 2)
IV. Exchange Rates II: the asset approach (short run) Weeks 7, 8, 9 – interest parity, asset approach to exchange rates, overshooting, trilemma	Ch. 4 (PS 3) Midterm Exam (week 7)
V. National Accounts and the Balance of Payments Weeks 10, 11 – national income accounts, current account, financial account, external wealth	Ch. 5 (PS 4)