Cornell University, Economics 3620

International Monetary Theory and Policy

**Fall 2012**

Instructors: Assaf Razin and Eric Fisher

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**Location:** Rockefeller 122

**Time:** Monday and Wednesday from 8:40 to 9:55

**Course Administration:** We will use <http://blacboard.cornell.edu> as our course management system. You will need to enroll in Blackboard to access timely information.

**Course Objectives:** This course will provide a macroeconomic overview of the world economy. It deals first with the interaction between national economies through the flow of imports and exports. Then it analyzes exchange rates and their effects on the national economy and the flow of trade between nations. Finally, it studies international economic policy, from historical and topical perspectives. By the end of this course, you will have a broad understanding of open economy macroeconomics, international finance, and the modern history of the world economy.

**Grading and Exams:** There will be weekly problem sets whose solutions will be posted during the following week. You will have two midterm exams and a final. The tentative dates for the midterms are September 24th and October 29th. Your grade will be determined as follows: first midterm 30%; second midterm 30%; and final 40%.

**Textbook**: Paul R. Krugman. Maurice Obstfeld, and Marc Melitz

International Economics: Theory and Policy, 9th Edition, Pearson.

**List of Topics and Required and Some Supplementary Readings**

1. National Income Accounting and the Balance of Payments, Chapter 13

Supplementary Reading: *Economic Report of the President for 2012*, Chapter 5

1. Spot Exchange Rates, Chapter 14

Supplementary Reading: Richard Lyons, *The Microstructure Approach to Exchange Rates*. Chapter 1

1. Money, Interest Rates, and the Exchange Rate, Chapter 15

Play Economia, the ECB’s monetary policy game

<http://www.ecb.int/ecb/educational/html/index.en.html>

1. Price Levels and the Exchange Rate in the Long Run, Chapter 16

“Return of the Mac,” *The Economist*, June 2012

1. Output and Exchange Rates in the Short Run, Chapter 17
2. How Fixed Exchange Rates Work, Chapter 18

Obstfeld and Rogoff, “The Mirage of Fixed Exchange Rates”

1. A History of the International Monetary System, Chapter 19

The European Central Bank, *The Eurosystem*

1. Optimum Currency Areas and the Euro Zone Crisis, Chapter 20

Robert Mundell , “A Theory of Optimum Currency Areas,” *American Economic Review* 1961

1. Financial Aspects of Globalization, Chapter 21

Supplementary Reading: The IMF’s *World Economic Outlook*, April 2012

1. Emerging Economies and Debt Crises, Chapter 22