Economics 252: International Finance

Fall 2021, University of Pennsylvania

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Lecture Times: Tuesdays and Thursdays, 10:15 am to 11:45am.
Lecture Location: MCNB 150

Office Hours: Wednesdays from 11:00am to noon and by appointment

Teaching Assistant: The TA for the course is TBA. Her e-mail address is XXX@sas.upenn.edu. She will have office hours on TBA from TBA to TBA.

Course Website: Course information is available in Canvas. Canvas is the official channel I will use to make announcements, post slides, problem sets, exercises, and relevant papers for you to read.

Course Description: This is a one-semester course in international finance and open economy macroeconomics. The course’s objective is to build the analytical foundation for understanding key macro issues in the world economy such as such as current account deficits, the global financial cycle, financial and sovereign debt crises.

To this end, we will develop a set of theoretical tools to model an economy open to trade in goods and assets. Broadly speaking, we are going to cover the following topics:

1. Current Account Determination: Data and Theory
2. Asset Prices, Risk Sharing, Nominal Exchange Rates and Interest Rate Parities
3. External Debt, Debt Crises, and Sovereign Default
4. Monetary Policy and Sustainability of Government Debt

Pre-requisites:

• Econ 101 and Econ 102. Intermediate Micro and Intermediate Macro.
• Math 104. Calculus 1
• Math 114 or Math 115. Calculus 2

Grading: Your grade will be based on:

• **4 problem sets (1/8 of total grade each)** You are allowed (actually encouraged) to work with other students on the problem sets but each must submit her/his own copy. Problem sets will consist of: i) answering theoretical questions, ii) data work, iii) reading articles and prepare summary/answer questions about the articles. You will have about 10 days to finish each problem set.

• **2 in-class midterms (1/6 of total grade each).** These are closed book exams and will be scheduled during class time.

• **1 take-home exam (1/6 of total grade).** This is an open book exam and you are not allowed to work with your classmates. You will have 2 days to finish the take-home final exam.

Tentative schedule for in-class midterms:

• Take-home exam 1: October 5
• Take-home exam 2: November 9

The take-home exam will be assigned on December 15 and due on December 1.

If a student has a valid excuse to miss one of the midterms, the missed event may be made up in one of two ways that are to be decided by the instructor:

- the student will take a make-up version for midterm; or

- the student will be excused from the missed event, and the weight of that event in the overall course grade will be reassigned to the average of the other midterms.

We will make every effort to have the midterms and problem sets graded and handed back in one week. If you have any concern with the grade, you have one week to return your test with a written explanation of why you think the grade is incorrect. After that week, grades cannot be modified.
Course Policies: The Department of Economics maintains a common set of policies that apply to all classes. Taking this class you agree to abide by these policies. You are encouraged to read these policies carefully. Full details can be found here: http://economics.sas.upenn.edu/undergraduate-program/course-information/guidelines/policies
Reading List

There is no textbook for the course. The main references are the lecture notes from Stephanie Schmitt-Grohe, Martin Uribe, and Michael Woodford (referred to as SGUW below) available on the course webpage and at http://www.columbia.edu/~mu2166/UIM/index.html

During the class, I will make connections to current advances in the research in international finance and to policy issues. The following readings are complementary to my lectures. I will indicate during the course of the class which are required (and I will likely add more). I will also post articles from Financial Times, The Economics, The Wall Street Journal related to the topics we are covering.

1. Current Account Determination: Data and Theory

   - SGUW Chapters 1 - 5, 7

2. Asset Prices, Risk Sharing, Nominal Exchange Rates and Interest Rate Parities

   - SGUW Chapter 6, 10
3. External Debt, Debt Crises, and Sovereign Default

- SGUW Chapter 15


4. Monetary Policy and Sustainability of Government Debt

- SGUW Chapter 12


- “Monetary and Fiscal History of Latin America” project at the Becker-Friedman Institute: https://mafholanuchicago.edu/
