



Economics

COLLEGE OF LIBERAL ARTS & SCIENCES

ECON 514

Course Syllabus

International Financial Economics

Semester: Spring 2026

Meeting Details: Tuesdays and Thursdays, 9:30AM – 10:50AM, DKH 215

Credits: 4 hours

Instructor: Professor Greg Howard

Email: ghoward@illinois.edu

Office Hours: Fridays, 2:00PM-3:00PM, DKH 10. I am also happy to meet on Zoom at other times, which should be arranged by email.

Course Description:

This class covers topics in international finance, including balance of payments, exchange rates (real and nominal), business cycle risk, currency unions, and safe assets. There is a particular emphasis on understanding different types of financial crises from a positive and normative perspective. The course will cover theoretical models (including some basic calculus), a few econometric techniques building on regression, and many case studies of historical financial crises.

Prerequisites:

The course is for MSPE students who have some familiarity with macroeconomics.

Learning Outcomes:

- Examine case studies to understand historical patterns and events in international macroeconomic history
- Compare and evaluate policy proposals using economic analysis and statistical techniques
- Communicate economic knowledge, applying historical economic lessons to new situations, through writing and discussion

Learning Resources:

There is no required text for this course. Students may find the optional online book “International Macroeconomics” by Schmitt-Grohe, Uribe, and Woodford to be useful for background material. It is available at the following URL: <http://www.columbia.edu/%7Emu2166/UIM/index.html>

Additional materials, including the instructor’s notes, assignments, and practice materials will be available on Illinois Canvas. Announcements about assignments, readings, and other course items will be posted on Canvas

Course Structure:

Course meetings consist of lecture and discussion. Students are expected to attend all classes and participate in all discussions. Phones are not allowed out during class at any point. If you wish to take notes on a computer, I request that you sit in the back rows so as not to distract other students.

Requirements:

- Class participation: Before each class, students are expected to read a short article on current or historical events related to topics in class. Questions will be circulated that students are expected to be ready to answer at the beginning of class, if called on. Reading off of electronic devices will be prohibited during this portion of class.
- Assignments: I will assign 10 per-unit assignments covering the lecture material. They typically include an empirical or historical part, in which students find and analyze data or critically analyze economic writing on historical events. The homework assignments also usually include a problem based on a model we learn in class. They are meant to ensure that students are following along with each unit of the class. Each homework will correspond to a specific unit and will be due soon after the end of the unit.
The expectation is that students will spend about 8 hours outside the classroom on class assignments and readings.
- Midterms: There will be two in-class 80-minute midterm exams. There will be questions focused on critical thinking and require short writing responses, as well as model-based questions akin to the homework assignments.
- Research Project: There will be a research project on a historical financial crisis of your choosing.
- Final Exam: There will be a closed book, 3-hour exam during finals week, which will cover the entire course material. It will be similar to the midterms in the format but will be longer.

COURSE POLICIES**Grading:**

Class participation is worth 10 percent of the grade. Each student begins the semester with 10 points. At the beginning of each class, a few students will be called on to answer questions. If the student is unprepared for class or is absent without having previously notified the instructor with an acceptable excuse, they will lose points of their participation grade. The first absence will be 1 point, the second 3 points (for a total of 4 points), the third 6 points (for a total of 10 points), and the fourth 10 points (for a total of 20 points).

The homework assignments are worth a total of 20 percent of the grade. The lowest score will be dropped, meaning that each assignment is worth 3 percent of the final grade.

Each midterm is worth 15 percent of the grade. Midterms may be curved. At the time they are graded, any curve will be announced, including how to convert that curve to a typical 10-point scale.

The final project is worth 20 percent of the grade.

The final is worth 20 percent of the grade. It also may be curved.

At the end of the semester, the grades will be averaged according to the weights above. The grading scale will be:

98 and up=A+, 92 to 97.99=A, 90 to 91.99=A-, 88 to 89.99=B+, 82-87.99=B, 80-81.99=B-, 78-79.99=C+, 72-77.99=C, 70-71.99=C-, 68-69.99=D+, 62-67.99=D, 60-61.99=D-, below 59.99=F

Regrades:

All regrade requests must be submitted in writing no more than one week after the assignment or exam is returned. The request must be written and include a detailed summary of why the student believes the grade they received was incorrect. I generally regrade the entire exam or assignment, so the grade may go up or down. Consequently, students should only request a regrade if they are very confident that the original grade they received was incorrect.

If a student is unable to alert me to an excused absence ahead of class, they may appeal a loss of participation points by submitting documentation for the excuse. This must be done within 1 week of the absence.

Assessment Policies:

All assignments are to be turned in on Canvas by the due date and time. Late assignments receive *no* credit without an instructor-approved excuse. Acceptable excuses include physical and mental illness, and personal or family emergencies. A written request for an extension must be submitted at least 48 hours in advance.

You are encouraged to work as a group with your classmates on problems sets, although you have to hand in your own solutions. Note that we cannot grade assignments that we cannot read. Consequently, please be careful to make all assignments legible.

Exam Policy:

In the event that a student misses one of the exams, the instructor reserves the right to give the student a zero on that exam. There are no make-up exams. Instructor approved excuses include 1) sickness, 2) death or serious illness of an immediate family member or close friend (documentation required), or 3) conflict with a religious holiday. With an approved excuse, the weight of the mid-term will be moved to the final exam.

We will follow the University guidelines on student conflicts with final exams. For this year's student code, see http://admin.illinois.edu/policy/code/article3_part2_3-201.html .

Statement on Academic Integrity: According to the Student Code, 'It is the responsibility of each student to refrain from infractions of academic integrity, from conduct that may lead to suspicion of such infractions, and from conduct that aids others in such infractions.' Please know that it is my responsibility as an instructor to uphold the academic integrity policy of the University, which can be found here: <https://studentcode.illinois.edu/article1/part4/1-401/>

Academic dishonesty may result in a failing grade. Every student is expected to review and abide by the Academic Integrity Policies. It is your responsibility to read this policy to avoid any misunderstanding. Do not hesitate to ask the instructor(s) if you are ever in doubt about what constitutes plagiarism, cheating, or any other breach of academic integrity. **Read the full Student Code at <https://studentcode.illinois.edu/>**

Students with Disabilities: To obtain disability-related adjustments and/or auxiliary aids, students with disabilities must contact the course instructor and the Disability Resources and Educational Services (DRES) as soon as possible. To contact DRES, you may visit 1207 S. Oak St., Champaign, call (217)-333-4603, email disability@illinois.edu or go to the DRES website.

Please also schedule a private meeting with the course instructor to discuss your needs and requirements. The instructor will attempt to meet all reasonable course accommodations once the student self-identifies. Please note that accommodations are not retroactive to the beginning of the semester, but begin the day you contact the instructor with a current letter of accommodation from DRES.

Community of Care

As members of the Illinois community, we each have a responsibility to express care and concern for one another. If you come across a classmate whose behavior concerns you, whether in regards to their well-being or yours, we encourage you to refer this behavior to the Student Assistance Center (217-333-0050 or <http://odos.illinois.edu/community-of-care/referral/>). Based on your report, the staff in the Student Assistance Center reaches out to students to make sure they have the support they need to be healthy and safe. Further, we understand the impact that struggles with mental health can have on your experience at Illinois. Significant stress, strained relationships, anxiety, excessive worry, alcohol/drug problems, a loss of motivation, or problems with eating and/or sleeping can all interfere with optimal academic performance. We encourage all students to reach out to talk with someone, and we want to make sure you are aware that you can access mental health support at the Counseling Center (<https://counselingcenter.illinois.edu/>) or McKinley Health Center (<https://mckinley.illinois.edu/>).

For mental health emergencies, you can call 911 or walk into the Counseling Center, no appointment needed.

Disruptive Behavior: Behavior that persistently or grossly interferes with classroom activities is considered disruptive behavior and may be subject to disciplinary action. Such behavior inhibits other students' ability to learn and an instructor's ability to teach. A student responsible for disruptive behavior may be required to leave class pending discussion and resolution of the problem and may be reported to the Office for Student Conflict Resolution for disciplinary action.

Religious Observances: The Religious Observance Accommodation Request form is available at <https://odos.illinois.edu/community-of-care/resources/students/religious-observances/>. Submit the form to the instructor and to the Office of the Dean of Students (helpdean@illinois.edu) by the end of the second week of the course; in the case of exams or assignments scheduled after this period, students should submit the form to the instructor and to the Office of the Dean of Students as soon as possible.

Family Educational Rights and Privacy Act (FERPA): Any student who has suppressed their directory information pursuant to Family Educational Rights and Privacy Act (FERPA) should self- identify to the instructor to ensure protection of the privacy of their attendance in this course. See <http://registrar.illinois.edu/ferpa> for more information on FERPA. Student information and records will not be released to anyone other than the student unless the student has provided written approval or as required by law.

Sexual Misconduct Reporting Obligation: The University of Illinois is committed to combating sexual misconduct. Faculty and staff members are required to report any instances of sexual misconduct to the University's Title IX and Disability Office. In turn, an individual with the Title IX and Disability Office will provide information about rights and options, including accommodations, support services, the campus disciplinary process, and law enforcement options. A list of the designated University employees who, as counselors, confidential advisors, and medical professionals, do not have this reporting responsibility and can maintain confidentiality, can be found here:

<http://www.wecare.illinois.edu/resources/students/#confidential>.

Other information about resources and reporting is available here: <http://wecare.illinois.edu/>.

Student Support

The Counseling Center is committed to providing a range of services intended to help students develop improved coping skills in order to address emotional, interpersonal, and academic concerns. Please visit their website to find valuable resources and services:

<https://counselingcenter.illinois.edu/>.

Counseling Center Information: 217-333-3704

Location: Room 206, Student Services Building (610 East John Street, Champaign IL)

McKinley Mental Health Information: 217-333-2705

Location: 3rd Floor McKinley Health Center 1109 South Lincoln, Urbana, IL

Emergency Dean: The Emergency Dean may be reached at (217) 333-0050 and supports students who are experiencing an emergency situation after 5 pm, in which an immediate University response is needed and which cannot wait until the next business day. The Emergency Dean is not a substitute for trained emergency personnel such as 911, Police or Fire. If you are experiencing a life threatening emergency, call 911. Please review the Emergency Dean procedures:

<http://odos.illinois.edu/emergency/>

Academic Dates and Deadlines: Students should make note of important academic deadlines for making changes to their courses (add, drop, credit/no-credit, grade replacement, etc.).

<https://registrar.illinois.edu/academic-calendars>. Please check with your academic department regarding specific procedures and policies.

Emergency Response Recommendations: The university maintains guidelines for emergency responses. A list of recommendations when to evacuate and when to find shelter are available at:

http://illinois.edu/cms/2251/general_emergency_response_recommendations_8_16_13_final.docx

Floor plans for specific buildings are available at: <http://police.illinois.edu/emergency-preparedness/building-emergency-action-plans/>

Course Schedule (Tentative)

Jan 20	Introduction/Welcome to International Macroeconomics	
Jan 22-Jan 29	<p>Balance of Payments</p> <ul style="list-style-type: none"> • Current Account, capital account, net international investment position, the Lucas Paradox • Review: constrained maximization, Lagrange multipliers • “America’s Trade Deficit Surge in 2022, Nearing \$1 Trillion” by Ana Swanson • “Life Cycle Hypothesis” by Tim Sablik • “Why Trade Deficits Matter” by Jared Bernstein and Dean Baker 	HW #1 due Feb 2
Feb 3- Feb 10	<p>International Risk</p> <ul style="list-style-type: none"> • The current account in recessions, complete and incomplete markets, home bias, precautionary savings • “Germany’s Days of Surplus are Numbered and That May Be a Good Thing” by Andreas Kluth • “China’s Thrift and What to Do About It” by IMFBlog • “Global Equity Investing” by Scott J. Donaldson, Harshdeep Ahluwalia, Giulio Renzi-Ricci, Victor Zhu, Alexander Aleksandrovich 	HW #2 due Feb 16
Feb 12-Feb 19	<p>Exchange Rates</p> <ul style="list-style-type: none"> • The real and nominal exchange rate, Balassa-Samuelson, purchasing power parity, uncovered and covered interest parity • “Big Mac Index” (the Economist) • “World Bank Principles and Practices in Measuring Global Poverty” • “Testimony of Treasury Secretary Timothy F. Geithner Before the Senate Banking, Housing, and Urban Affairs and House Ways and Means Committees” 	HW #3 due Feb 23
Feb 26		Midterm 1

Feb 24-March 3	<p>Costs of Financial Crises</p> <ul style="list-style-type: none"> • The international experience, event studies, and causality in macroeconomics • “The Great Recession Knocked Them Down... Some Got Up Again” by Ben Casselman, Patricia Cohen, and Doris Burke • “The persistence of a COVID-induced global recession” by Valerie Cerra, Antonio Fatas, and Sweta C. Saxena 	HW #4 due March 9
Mar 5- Mar 12	<p>Sudden Stops</p> <ul style="list-style-type: none"> • Tradable and non-tradable production, real exchange rates, wage stickiness and unemployment, trade openness • “IMF Argentina Report” • “Chile’s Capital Outflows Accelerate” by Valentina Fuentes and Daniel Cancel • “Sudden Stop, Sectoral Reallocation, and the Real Exchange Rate” by Tim Kehoe and Kim Ruhl <p>Note that there is no class March 11 or 13 for Spring Break</p>	HW #5 due March 23
Mar 24-26	<p>Sovereign Debt Crises</p> <ul style="list-style-type: none"> • History of sovereign debt and default, the relationship between interest rates and default, welfare of sovereign default • “Greece’s debt crisis, explained in charts and maps” by Ezra Klein • “Why Climate Change Vulnerability is Bad for Sovereign Credit Ratings” by Serhan Cevik and Joao Tovar Jalles 	HW #6 due March 30
Mar 31- Apr 2	<p>Currency Crises</p> <ul style="list-style-type: none"> • Self-fulfilling crises • “Black Wednesday” by Helene Dury • “Stablecoins’ claim to be a safer cryptocurrency---but they’re far from risk-free” by Nellie Liang 	HW #7 due Apr 6
Apr 7-Apr 14	<p>Banking Crises</p> <ul style="list-style-type: none"> • Banks, the financial accelerator, risk mismatch, liquidity mismatch, bank runs, complementarity • “How Rumor sparked panic and three-day bank run in Chinese city” by John Ruwitch • “The Japanese Economy During the Interwar Period: Instability in the Financial System and the Impact of the World Depression” by Masato Shizume 	HW #8 due Apr 20
Apr 23		Midterm 2

Apr 16-Apr 21	<p>Currency Unions</p> <ul style="list-style-type: none"> • Optimal Currency Areas • “The Euro at 20: An enduring success but a fundamental failure” by Barry Eichengreen • “Can a West African currency union work?” by Simplice Asongu 	HW #9 due Apr 27
Apr 28-Apr 30	<p>Safe Assets (or Special Topics)</p> <ul style="list-style-type: none"> • “The United States as a Global Financial Intermediary and Insurer” by Alexander Monge-Naranjo • “The safe-asset shortage after Covid-19” by Gavyn Davies 	HW #10 due May 4
May 5	Review	Final Project Due May 6
TBD	Final Exam Dates are typically announced midway through the semester	