



Economics

COLLEGE OF LIBERAL ARTS & SCIENCES

ECON 514

Course Syllabus

International Financial Economics

Credits: 3 undergraduate hours, or 4 graduate hours

Semester: SPRING 2023

Meeting Times: T TR 11:00 am to 12:20 am

119 David Kinley Hall

Instructor: Pedro Elosegui

Email: elo@illinois.edu

Office Hours: T – 12:30 pm & **ONLINE (by appointment)**

Course Description

This course covers topics in international finance, including balance of payments, exchange rates (real and nominal), business cycle risk, currency unions. There is 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.

Course Objectives

The purpose of this course is to introduce you to the major theoretical and practical issues in international macroeconomics, balance of payments and international financial crises. We will examine case studies to understand historical patterns and events in international macroeconomic history. Manage an actual case to compare and evaluate policy proposals using economic analysis and statistical techniques and to communicate economic knowledge, applying historical economic lessons to new situations, through presentations and discussion. The course includes a group assignment to describe the current account situation of a particular developing country in order to analyze the economic policy implications as well as economic risks and challenges from an international investor perspective. The group assignment will allow students to actually analyze and use the theoretical framework of the course.

Prerequisite: Consent of instructor. MSPE Graduate Student Standing.

The course grade will be determined by your performance on the following:

Group assignment: 30% Mid-term: 30% Final Exam: 20% Assignments: 20%

Learning Resources

Required textbook: “International Macroeconomics” by Schmitt-Grohe, Uribe, and Woodford.

Any additional materials will be distributed.

- Individual academic articles will be used, cited and/or posted throughout the course

- Lecture slides, notes, media articles for discussion, homework assignments and other supporting material will be posted on the course website:

Communication and Other Issues.

- Requests for re-graded exams must be handed in no later than one week after the exam is returned.
- Please use e-mail only for short and sporadic communication. Substantive questions, doubts about the material are best answered/discussed in class, during office hours, or special appointments, if needed.
- If you have any problems with the course, please inform me as soon as possible - don't fall behind!

Important Dates:

Exams:

Midterm (tbc): 28th March

Presentations: April 27th – 29th – May -4th.

Final: May.

Academic Assistance

Students are encouraged to utilize the many resources we have throughout campus to assist with academics. We recommend that you seek them out starting early in the semester, not just in times of academic need, in order to develop good study habits and submit work which represents your full academic potential. Many resources are found on the Economics Website including details about the Economics Tutoring Center, Academic Advising, and other academic support options: <https://economics.illinois.edu/academics/undergraduate-program/academic-student-support>

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 academic 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 333-4603 (V/TTY), or e-mail a message to disability@illinois.edu. DRES Website: www.disability.illinois.edu/

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.

Emergency Response Recommendations

Emergency response recommendations can be found at the following website: <http://police.illinois.edu/emergency-preparedness/>. I encourage you to review this website and the campus building floor plans website within the first 10 days of class. <http://police.illinois.edu/emergency-preparedness/building-emergency-actionplans/>.

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.

Course Schedule (subject to change with advance notice)

T-TR -11:00PM -12:20PM

Week	Date	Topic (tentative)
1 – M	17 January	Introduction to International Macroeconomics
	19 January	
2 - M	24 January	Balance of Payments • Current Account, capital account, net international investment position, the Lucas Paradox
	26 January	
3	31 January	International Risk • The current account in recessions, complete and incomplete markets, home bias, precautionary savings
	2 February	
4	7 February	Exchange Rates • The real and nominal exchange rate, Balassa-Samuelson, purchasing power parity, uncovered and covered interest parity, China's exchange rate policy
	9 February	
5	14 February	Costs of Financial Crises • The Great Depression and Recession, the international experience, event studies and local projection
	16 February	
6	21 February	Sudden Stops • Case study of Argentina, tradable and non-tradable production, changing real exchange rates, wage stickiness and unemployment, trade openness and sudden stops
	23 February	
7	28 February	
	2 March	
8	7 March	Sovereign Debt Crises • History of sovereign debt and default, the relationship between interest

		rates and default, welfare of sovereign default, Greece's sovereign debt crisis
	9 March	
9	21 March	
	23 March	
10	28 March	Midterm
	30 March	Currency Crises • Black Wednesday, seigniorage, self-fulfilling crises
11	4 April	
	6 April	Banking Crises • Banks, the financial accelerator, risk mismatch, liquidity mismatch, bank runs, complementarity, case study of Northern Rock.
12	11 April	
	13 April	Housing Crises • Movements in house prices, the linkages of the banking and housing sectors, mortgage-backed securities, the effect of house prices on consumption
13	18 April	
	20 April	
14	25 April	Currency Unions • Properties and examples of safe assets, Exorbitant privilege, safe asset shortages
	27 April	Group Presentations
15	2 May	
	4 May	
16	FINALS	