International Finance  
Econ 741 - Fall 2015  
University of Maryland

1 Course Information

Professor: Felipe E. Saffie  
Office: 4118E Tydings Hall  
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Office Hours: Thursday 1:00 PM - 3:00 PM.  
Class Time: Tuesday and Thursday 9:30 AM - 10:45 AM  
Location: TYD, room 2108

2 Course Description

Disclaimer: This is an advanced Ph.D. level course on open economy macroeconomics and international finance designed for 2nd year students. All first year classes should be mastered before taking this class.

Overview: The first half of the course reviews the basic empirical regularities observed at business cycles frequencies in small open economies, and then develops quantitative and analytic tools to model these facts. The second portion of the course applies those modeling tools to a variety of topics in international economics.

3 Course Requirements

Homeworks (30% total): There will be 3 homeworks (10% each), focusing on three sets of skills: Empirical, Computational, and Modeling. Homeworks are required to be handed in groups of two. The due dates and guidelines can be found in section 6.

Midterms (40% total): There will be two in class midterms (20% each), mostly related to in class material. The second midterm will also draw from students’ presentation and reports. Both midterms are going to be held in class. The first midterm will be on October 8th and the second one on December 10th.

Presentation (10%): Each student will have to perform a 40 minutes presentation. No later than September 30th each student has to email me the paper requesting approval, first-come first-served. Acceptable papers, potential dates, and general guidelines are listed in section 8. You can also pick (subject to my approval) a recent unpublished paper in the broadly defined international field.
Report (15%): Every student has to work along the semester on a topic report. No later than September 30th each student has to email me the chosen topic. There will be no duplication, so the sooner you decide, the larger the topic pool. Before December 1st a three to four pages report must be submitted. Potential topics and guidelines are listed in section 7.

Seminar (5%): Every student has to attend the 709 Workshop in Macroeconomics and the Macro/International seminar on Wednesdays.

Letter Grade: No student will get a grade above $B^+$ without presenting, handling every homework and report, and taking the midterms.

4 Reference Texts


5 Course Outline: Topics (articles with a †are mandatory)

1. Introduction: International Macroeconomic Puzzles

- Textbook references: OR (1.1 1.2 1.3)
- Articles:


2. Real Business Cycle: Data and Models for Small Open Economies:

- Textbook references: CV (1) OR (2) SU (1-6) LS (8 16 17)
- Articles:

3. Stochastic Trend Business Cycles:

- Articles:

4. International Risk Sharing and Co-Movements:

- Textbook references: OR (4, 5) CV (4) SU (7)
- Articles:
  †Heathcote, Jonathan, and Fabrizio Perri. “The International Diversification Puzzle is not as Bad as you Think.” Journal of Political Economy 121.6 (2013): 1108-1159.

5. Financial Crises and Macroprudential Regulation:

- Textbook references: CV (2 16 17) SU (10)
- Articles:
  †Lorenzoni, Guido “International Financial Crises.” Handbook of international Economics 4 (2013), 647-87

6. Sovereign Risk, Default, and Spreads:

- Textbook references: GHR (11)
- Articles:
7. Long-run Consequences of Financial Crises

- Articles:
  
  
  
  
  
  
  
  

8. Capital Flows and Global Imbalances:

- Textbook references: GHR (10)

- Articles:


9. Exchange Rate Determination and Open Economy Monetary Policy

- Textbook references: GHR (8) CV (8-11) SU (8 9)
- Articles:

6 Homeworks

- Homeworks must be handled in groups of two.
- You must write them in Latex.
- They have to be sent to my email before the due date, no late work will be admitted. Beside the write-up you need to submit data and codes when applicable.
- Every member of the group has to be prepared to defend their answers in case of discussing the homework.
- Grading is relative to the best group.
- These are the due dates:
  1. First Homework: September 18th at 4:00 pm.
  2. Second Homework: October 23rd at 4:00 pm.
  3. Third Homework: December 14th at 4:00 pm.
7 Topic Report

- The report must be written using Latex. When analyzing your topic you should think mostly from an International Finance perspective.

- I expect you to read and work continuously during the year but the report must be emailed to me and every student before December 1st.

- Topics will be presented in class on December 3rd and 8th. Students should read each other reports because the second midterm will partially draw from these.


In general, you should accomplish the following in your report:

- Explain clearly the concept.

- Use formality (equations, toy model,...) and data whenever it is possible.

- Discuss classical papers and current working papers on the topic.

- Conjecture where this literature is going or what might be explored further in the topic.

8 In Class Presentation

- You should make your own slides using Beamer.

- You need to be smooth when presenting, no notes allowed.

- You should be comfortable enough with the paper so that you can answer questions from the audience.

- There will be two presentations per class on the following dates: November 19th, November 24th, and December 1st. The second midterm will draw partially from presentations.

The following is a list of acceptable papers for presentation. Note that the links provided are just a reference, you should find the latest version.


14. Gu, Grace W. ”*A Tale of Two Countries: Sovereign Default, Trade, and Terms of Trade.*” 2015


9 Learning Latex

One of the first things that you will have to learn in 741 is using Latex. The following links might accelerate your learning curve.

1. How to download and install.
2. Useful for working with formulae.
3. Getting started and Solving issues.