

Topics in Macroeconomics: Syllabus Econ 183 – Winter 2024

1 CLASS TIME AND VENUE:

- 1) Tue Thu, 11am – 12:20pm at RWAC 0115
- 2) Tue Thu, 12:30pm – 1:50pm at RWAC 0115

2 INSTRUCTORS

Instructor: Steve Wu

E-mail: steviewu@ucsd.edu

Office: Atkinson Hall Room 6127

Zoom room link (for lecture and office hours): <https://ucsd.zoom.us/my/steviewu>

Office hours (available both in-person and on zoom):

Tue Thu: 10-10:45am PST, Wed: 4pm-4:30pm PST.

Teaching Assistant: Dongkeun Choi (DK Choi)

E-mail: dochoi@ucsd.edu

Office: Atkinson Hall, Atkinson Hall 6100-27 (open area outside of Room 6127)

Zoom room link (for office hours): <https://ucsd.zoom.us/j/5929833995>

Office hours (available both in-person and on zoom):

Friday: 12-2pm PST.

3 PREREQUISITES

110B Short Run Macroeconomics.

Management Science major: 100A Microeconomics A and 120B Econometrics B

Or course instructor consent

4 FORMAT

Attendance is not required.

The course will be taught in a hybrid format, but **all exams will be in-person.**

You can follow the course material in three ways:

- 1) In-person: Be physically present in the classroom so you can actively participate during lectures
- 2) Synchronous-remote: Follow a live stream of the lecture and ask live questions using the Zoom chat (risk of not being regularly monitored)
- 3) Asynchronous-remote: Follow a Podcast recording of lectures

5 COURSE OBJECTIVES

This course examines the international aspects of finance and macroeconomics. The goal is to provide students with the concepts and tools to understand current developments in the international markets. The course covers money, exchange rates, global debt markets, global equity markets and sanctions.

The course will be divided into roughly four parts. In the first part, we will explore the fundamental functions of money in international settings.

In the second part of the course, we focus on exchange rate determination, including topics about risk-return tradeoff, uncovered interest parity, covered interest parity and exchange rate derivatives

In the third part of the course, we will study the global debt market, including sovereign debt in emerging markets and sovereign defaults

In the fourth part of the course, depending on the development of the course, we will discuss topics including global policy, global equity market, sanctions, capital controls and recent advancement in exchange rates

6 TEXTBOOKS AND COURSE MATERIALS

No textbook for the course. Lecture slides, lecture recordings and additional readings will be posted on the course website in Canvas.

Recommended textbooks:

Krugman, Paul R., Maurice Obstfeld, and Marc J. Melitz. 2018. International Finance: Theory and Policy. 11th (global) ed., Boston: Prentice Hall.

Stephanie Schmitt-Grohe, Martin Uribe, and Michael Woodford. 2022. International Macroeconomics: A Modern Approach., Princeton University Press.

I and the TA will maintain a discussion board on Piazza, where you can ask questions, submit comments and also help in providing answers on the material covered in class.

7 GRADING

Two midterms (Week 4 and Week 8), only count the one with a higher score (40%). No show in midterms will be counted as zero score automatically.

One final exam (50%)

About four to five problem sets (10%)

Final grade is 40% midterm + 50% final exam + 10% problem sets. The grade is curved.

During exams, only a pen, a pencil, a ruler, an eraser and a simple calculator are permitted for use. No other material is allowed, and all other objects must be outside your immediate reach at all times during the exam. The exams are closed book and closed class materials. You must not use any written resources, and you must not communicate with anyone by any means during the exam.

Violating this rule will be considered an academic integrity violation and result in an F grade for the class.

8 ACADEMIC INTEGRITY

Students are expected to honor the highest standards of academic integrity, and principles of academic honesty are strictly enforced. Failure to honor that code will be reported to the office of academic integrity. To review the campus policy, please visit: students.ucsd.edu/academics/academic-integrity.

Regardless of any potential additional sanction from the academic integrity office, or the absence of an additional sanction, the exam score will be zero if there is an exam rule violation.

The complete UC San Diego Policy on Integrity of Scholarship can be viewed at: senate.ucsd.edu/Operating-Procedures/Senate-Manual/appendices/2.

9 ACADEMIC ACCOMMODATIONS

Any student with documented disability in accordance with UC San Diego policy has the right to a special accommodation. Please present the formal request within the first two weeks of class so that the necessary arrangements can be made. Please contact the Economics Undergraduate Advisors with any questions about documentation.

10 NON-DISCRIMINATION AND NO HARASSMENT

UC San Diego and the Economics Department are committed to creating an environment free from all forms of discrimination and harassment, in which all students are able to learn and openly express themselves.

11 TENTATIVE COURSE OUTLINE

Week 1: Money as a unit of account + Money as a medium of exchange

Week 2: Money as a store of value + Uncovered interest parity (UIP)

Week 3: UIP + risk and return

Week 4 risk and return and midterm (midterm on Feb 1, Thursday)

Week 5: Covered interest parity (CIP) + Exchange rate derivatives

Week 6: CIP deviation + failure of these equations

Week 7: Global bond market + Sovereign default

Week 8 Sovereign default + midterm (midterm can be Tue or Thu, to be discussed as the class develops)

Week 9: Impossible trinity + sanctions and capital controls

Week 10: Global financial cycle + recent advancements in exchange rates

12 ADDITIONAL READINGS

Topic: Money as a medium of exchange

Kiyotaki, Nobuhiro, and Randall Wright. "On money as a medium of exchange." *Journal of Political Economy* 97, no. 4 (1989): 927-954.

Topic: Money as a unit of account

Gopinath, G. and Itskhoki, O., 2021. "Dominant currency paradigm: a review." *Handbook of International Economics* 6 (2022): 45-90.

Topic: Money as a store of value, UIP, risk and return

Engel, Charles. "Exchange rates and interest parity." *Handbook of international economics* 4 (2014): 453-522.

Krugman, Paul R., Maurice Obstfeld, and Marc J. Melitz. 2018. *International Finance: Theory and Policy*. 11th (global) ed., Boston: Prentice Hall.

Topic: Covered interest parity

Krugman, Paul R., Maurice Obstfeld, and Marc J. Melitz. 2018. *International Finance: Theory and Policy*. 11th (global) ed., Boston: Prentice Hall.

Topic: CIP deviation

Du, Wenxin, Alexander Tepper, and Adrien Verdelhan. "Deviations from covered interest rate parity." *The Journal of Finance* 73, no. 3 (2018): 915-957.

Du, Wenxin, and Jesse Schreger. "Local currency sovereign risk." *The Journal of Finance* 71, no. 3 (2016): 1027-1070.

Topic: Global debt and sovereign default

Arellano, Cristina. "Default risk and income fluctuations in emerging economies." *American economic review* 98, no. 3 (2008): 690-712.

Aguiar, Mark, and Gita Gopinath. "Defaultable debt, interest rates and the current account." *Journal of international Economics* 69, no. 1 (2006): 64-83.

Topic: Global equity market

Krugman, Paul R., Maurice Obstfeld, and Marc J. Melitz. 2018. *International Finance: Theory and Policy*. 11th (global) ed., Boston: Prentice Hall.

Topic: Real exchange rates

Krugman, Paul R., Maurice Obstfeld, and Marc J. Melitz. 2018. *International Finance: Theory and Policy*. 11th (global) ed., Boston: Prentice Hall.

Topic: Sanctions

Itskhoki, Oleg, and Dmitry Mukhin. *Sanctions and the Exchange Rate*. No. w30009. National Bureau of Economic Research, 2022.