APPLIES TO ACADEMIC YEAR 2013/2014

GRA 6666 Open Macroeconomics and International Finance

Programme
Master of Science in Business

Responsible for the course
Tommy Sveen

Department
Department of Economics

Term
According to study plan

ECTS Credits
6

Language of instruction
English

Introduction
This course offers an introduction to advanced open-economy macroeconomic and international finance. To this end, the course covers theoretical models as well as empirical facts regarding topics such as current account dynamics, nominal and real exchange rates, international portfolio diversification and sovereign risk.

Learning outcome
The main objective is to develop a coherent framework for thinking about open-economy macroeconomics and international finance.

The course consists of four parts. The first part deals with intertemporal trade and current account dynamics. The second part introduces intratemporal trade and several consumption goods (including a non-traded good) and studies real exchange rates and the terms-of-trade. The third part covers international finance and explores nominal exchange rates, international asset pricing and sovereign risk. The fourth part introduces nominal rigidities and gives an introduction to the topic “new open-economy macroeconomics”.

The course sets high requirements for student involvement for successful completion of the course. At the end of the course, the students are expected to make a group presentation on a given topic related international macroeconomics and finance.

Prerequisites
Bachelor degree qualifying for admission to the MSc Programme.

Compulsory reading
Books:
Obstfeld, Maurice. Kenneth Rogoff. 1996. Foundations of international macroeconomics. MIT Press. Chapters 1, 2, 4, 5, 6, 8, 9

Articles:
Bache, Ida W., Tommy Sveen and Kjersti N. Torstensen. 2013. Revisiting the Importance of Non-Tradable Goods’ Prices in Cyclical Real Exchange Rate Fluctuations. European Economic Review. 57. s. 98-107
Corsetti, Giancarlo. 2008. New Open Economy Macroeconomics. The New Palgrave dictionary of economics

Other:
During the course there may be hand-outs and other material on additional topics relevant for the course and the examination.

Recommended reading

Articles:
Engel, Charles, and John H. Rogers. 1996. "How wide is the border". American Economic Review. 86. s. 1112-1125
Engel, Charles. 1996. The Forward Discount Anomaly and the Risk Premium : A Survey of Recent Evidence. Journal of Empirical Finance. 3. s. 123-192
Engel, Charles. 1999. Accounting for US Real Exchange Rate Changes. Journal of Political Economy. 107. s.

507-38
French, Kenneth R., and James M. Poterba. 1991. “Investor Diversification and International Equity Markets”. American Economic Review. 81. s. 222-226
Lane, Phillip R. 2001. “The New Open Economy Macroeconomics: A Survey”. Journal of International Economics 54, 235-266
Rogoff Kenneth. 1996. “The Purchasing Power Parity Puzzle. Journal of Economic Literature 34, 647-668
Tesar, Linda L., and Ingrid M. Werner. 1995. “Home Bias and High Turnover”. Journal of International Money and Finance 14, 467-492

Course outline
Part I: International trade and current account dynamics. OR 1-2 (selected sections).

Part II: The real exchange rate and the terms-of-trade. OR 4 (selected sections) and Bache et al. (2012).

Part III: International finance. OR 6-8 (selected sections).

Part VI: Nominal rigidities and new open-economy macroeconomics. OR 9 (selected sections) and Corsetti (2008).

Computer-based tools

Learning process and workload
A course of 6 ECTS credits corresponds to a workload of 160-180 hours. Students are expected to participate actively during the lectures.

Please note that while attendance is not compulsory in all courses, it is the student’s own responsibility to obtain any information provided in class that is not included on the course homepage/It's learning or text book

Examination
Your course grade will be based on the following activities and weights:
30% class work (in the form of a mix of the following: homeworks, group presentations and class participation).
70% 3 hour written final exam.

Specific information regarding student evaluation beyond the information given in the course description will be provided in class. This information may be relevant for requirements for termpapers or other hand-ins, and/or where class participation can be one of several elements of the overall evaluation.

This is a course with continuous assessment (several exam elements) and one final exam code. Each exam element will be graded using points on a scale (e.g. 0-100). The elements will be weighted together according to the information in the course description in order to calculate the final letter grade for the course. You will find detailed information about the point system and the cut off points with reference to the letter grades on the course site in it’s learning.

Examination code(s)
GRA 66661 accounts for 100 % of the final grade in the course GRA 6666

Examination support materials
A bilingual dictionary.
Exam aids at written examiniations are explained under exam information in the student portal @bi. Please note use of calculator and dictionary in the section on examaids

Re-sit examination
It is only possible to retake an examination when the course is next taught.
The assessment in some courses is based on more than one exam code.
Where this is the case, you may retake only the assessed components of one of these exam codes.
Where this is not the case, all of the assessed components of the course must be retaken.
All retaken examinations will incur an additional fee.

Additional information
Honour Code
Academic honesty and trust are important to all of us as individuals, and represent values that are encouraged and promoted by the honour code system. This is a most significant university tradition. Students are responsible for familiarizing themselves with the ideals of the honour code system, to which the faculty are also deeply committed.

Any violation of the honour code will be dealt with in accordance with BI’s procedures for cheating. These issues are a serious matter to everyone associated with the programs at BI and are at the heart of the honour code and academic integrity. If you have any questions about your responsibilities under the honour code, please ask.