APPLIES TO ACADEMIC YEAR 2015/2016

GRA 6666 International Macroeconomics and 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.

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 a non-traded good and studies real exchange rates. The third part covers international finance and explores nominal exchange rates and international asset pricing. 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

All courses in the Masters programme will assume that students have fulfilled the admission requirements for the programme. In addition, courses in second, third and/or fourth semester can have spesific prerequisites and will assume that students have followed normal study progression. For double degree and exchange students, please note that equivalent courses are accepted.

Compulsory reading
Books:
Obstfeld, Maurice, Kenneth Rogoff. 1996. Foundations of international macroeconomics. MIT Press. Chapters 1, 2, 4, 5, 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. Jan. 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. p. 235-266
Rogoff, Kenneth. 1996. The Purchasing Power Parity Puzzle. Journal of Economic Literature. 34(2). p. 647-668
Tesar, Linda L. and Ingrid M. Werner. 1995. Home Bias and High Turnover. Journal of International Money and Finance. 14. s. 467-492

Course outline

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

Part II: The real exchange rate. OR 4 (selected sections) and Bache et al. (2012).

Part III: International finance. OR 5,8 (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. Both lectures and exercise seminars are provided.

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

The course grade will be based on the following activities and weights:
20% group project/presentation with 4-6 students in each group.
80% 3 hour written final exam.

Form of assessment	Weight	Group size
Presentation	20%	
Written examination 3 hours	80%	

Specific information regarding student assessment will be provided in class. This information may be relevant to requirements for term papers or other hand-ins, and/or where class participation can be one of several components of the overall assessment. This is a course with continuous assessment (several exam components) and one final exam code. Each exam component is graded using points on a scale from 0-100. The final grade for the course is based on the aggregated mark of the course components. Each component is weighted as detailed in the course description. Students who fail to participate in one/some/all exam components will get a lower grade or may fail the course. You will find detailed information about the points system and the mapping scale in the student portal @bi.

Examination code(s)

GRA 66661 continuous assessment accounts for 100 % of the final grade in the course GRA 6666

Examination support materials

Bilingual dictionary
Permitted examination support materials for written examinations are detailed under examination information in the student portal @bi. The section on support materials and the use of calculators and dictionaries should be paid special attention to.

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. All retaken examinations will incur an additional fee. Please note that you need to retake the latest version of the course with updated course literature and assessment. Please make sure that you have familiarised yourself with the latest course description.

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.