This course will examine the determinants of international capital flows and their consequences for growth and volatility. Basic analytical models in open economy macroeconomics and international finance, including those related to exchange rate dynamics, will be covered. The course will analyze the challenges created by rising global financial integration for monetary policy, financial regulation, and other policies. Emerging market perspectives on these issues will be emphasized, with a special focus on the economies of China and India. In particular, the course will focus on the roles of domestic financial sector development and international financial integration, and the interaction between them, in the process of economic development. The course will also discuss growth prospects for emerging markets, the myriad domestic and external challenges that they face in sustaining high growth, and the implications for the world at large. Students will be required to write an independent research paper.

Prerequisites: Intermediate-level courses in macroeconomics, international economics, and econometrics/statistics.

Lecture hours: Wednesdays, 10:10 a.m. – 12:35 p.m.
B-51, Warren Hall

Grading: Letter grade only. Grade will be based on assignments, research paper, and class participation

Credits: 3

Teaching Assistant: Isha Agarwal (ia233)

TA’s Office Hours: Wednesdays & Thursdays, 3:00–4:00 pm.

Course Support: Erika Rose (ear245)
201 Warren Hall

Professor’s Office Hours: By appointment (through Erika Rose)
**Course Schedule**

**Lecture 1:** August 24  
**Lecture 2:** August 31  
**Topic:** The New World Economic Order

*Emerging Markets: Resilience and Growth Amidst Global Turmoil:* Chapters 4-6.


We will have guest presentations about data resources available at Cornell to work on topics related to international finance and open economy macro. Some data issues (and potential pitfalls) will also be discussed.

**Lecture 3:** September 7  
**Topic:** Balance of Payments, Exchange Rates


Section 5.3, pp. 127-141. [On reserve at the library]

**Lecture 4: September 14**  
**Topic: Monetary Policy, Exchange Rate Regimes**


**Lecture 5: September 21**  
**Topic: Growth Prospects, Reforms, and Risks in China’s Economy**

*Guest Lecturer: Dr. James Daniel, Assistant Director and Head of China Division, Asia-Pacific Department, International Monetary Fund*


**Lecture 6: September 28**  
**Topic: Capital Controls, Capital Account Liberalization**

*The Dollar Trap*: Chapters 3, 4, 10.


**Lecture 7: October 5**

**Topic: Finance and its Role in Growth**


**October 12**

**No lecture meeting**
Lecture 8: October 19  
Topic: International Transmission of Business Cycles and Financial Cycles


Lecture 9: October 26  
Topic: The Battle Among Reserve Currencies

_The Dollar Trap:_ Chapters 12-15.


Lecture 10: November 2  
Topic: Currency Wars, Monetary Policy Spillovers, and Global Governance

_The Dollar Trap:_ Chapters 7-9, 11.

Lecture 11: November 9  
Topic: Prospects for the World Economy


More readings to be added later.

**Lecture 12: November 16**  
**Topic: Growth and Reforms in India**  
*Guest Lecturer: Dr. Paul Cashin, Assistant Director and Head of India Division, Asia-Pacific Department, International Monetary Fund*

Before class, read the 2016 IMF Staff Report on India, available online at:  

Additional Reading: Taming Indian Inflation, Paul Cashin and Rahul Anand, 2016

**November 23**  
**Thanksgiving holiday**

**Lecture 13: November 30**  
**Topic: TBD**
BACKGROUND READINGS & REFERENCE MATERIALS

Required:


Recommended:


**Dealing with China**, Hank Paulson, Twelve (Hachette Group), 2015.


**Taming Indian Inflation**, Paul Cashin and Rahul Anand, 2016

Suggested for Broader Perspectives:


COURSE ASSIGNMENTS AND REQUIREMENTS

Common Points about Formatting, Submission of Assignments

1. All text should be double-spaced (except footnotes and references, which should be single-spaced).
2. Use 12-point font for text (important: assignments with smaller font size won’t be accepted), at least 1” margins on all sides.
3. Follow formatting instructions for tables and figures.
4. Put on the subject line “4545: Assignment I” or whatever the relevant document is.
5. Email the documents in pdf format to Isha Agarwal (ia233) and Erika Rose (ear245).
6. Put your name at the top right corner of each assignment.

Indicative Grade Allocation

Assignment I (Macro Data: Basic): 5 percent
Assignment II (GDP Comparisons): 5 percent
Assignment III (Trade, Exchange Rate): 5 percent
Assignment IV (Capital Flows): 5 percent
Assignment V (Critique of News Article) 5 percent
[Top four grades of assignments I-V will be used to determine final grade (20 percent)]

Assignment VI (Data Note): 10 percent
Assignment VII (Research Note): 15 percent
Assignments VIII-X (Research Proposal, First Draft, Final Draft): 55 percent (10+15+30)

Assignment Schedule

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>Handed out</th>
<th>Due date / time</th>
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<tbody>
<tr>
<td>I.</td>
<td>Macro Data: Basic</td>
<td>Aug. 24</td>
<td>Aug. 29 / 10 a.m.</td>
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<td>II.</td>
<td>GDP Comparisons</td>
<td>Aug. 31</td>
<td>Sept. 5 / 10 a.m.</td>
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<td>III.</td>
<td>Trade, Exchange Rate</td>
<td>Sept. 7</td>
<td>Sept. 12 / 10 a.m.</td>
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<td>IV.</td>
<td>Interest Rates</td>
<td>Sept. 14</td>
<td>Sept. 19 / 10 a.m.</td>
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<td>V.</td>
<td>News Note</td>
<td>Sept. 21</td>
<td>Sept. 26 / 10 a.m.</td>
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<td>VI.</td>
<td>Data Note</td>
<td>Sept. 28</td>
<td>Oct. 3 / 10 a.m.</td>
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<tr>
<td>VII.</td>
<td>Research Note</td>
<td>Oct. 5</td>
<td>Oct. 14 / 5 p.m.</td>
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<tr>
<td>VIII.</td>
<td>Research Proposal</td>
<td>Oct. 19</td>
<td>Oct. 28 / 5 p.m.</td>
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<td>IX.</td>
<td>First Draft</td>
<td>Nov. 2</td>
<td>Nov. 11 / 5 p.m.</td>
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<tr>
<td>X.</td>
<td>Final Draft</td>
<td>Nov. 16</td>
<td>Dec. 5 / 5 p.m.</td>
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<td>[Special sessions on Oct. 26, Oct. 27 @ 8:00-9:30 p.m. to present proposals]</td>
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