

Contact Information:

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Course Objectives and Learning Outcomes:

The course covers macroeconomic theory applied in an open-economy context. Sustainability in a macroeconomic sense is concerned with persistent external imbalances that result in debt and the domestic macroeconomic instability. The underlying relationships of the balance of payments (current and capital accounts), trade flows and exchange rates, capital flows and exchange rates, and changes in output from changes in key macroeconomic indicators (inflation rates, interest rates, employment, etc.) are given particular attention. Another theme is how macroeconomic policy is used to affect these indicators and how, in turn, changes in these indicators, or expectations, can elicit a macroeconomic policy response. Issues related to the type of exchange rate regime, optimal currency areas, and the degree of capital mobility are given emphasis. General equilibrium analysis is featured to cover the relations among macroeconomic variables.

The student is expected to develop:

- an appreciation of the complex relationships between macroeconomic indicators and the foreign exchange markets, and the interrelationships among asset, goods, and foreign exchange markets;
- an understanding of the implications of a government's macroeconomic policy under different exchange rate regimes and the economic implications of the policy choices from each; and
- the ability to relate theoretical concepts to real-world macroeconomic situations and the implications from events such as the monetary union in the eurozone, the global financial crisis, the Covid-19 pandemic and to assess macroeconomic policy responses.

Required Reading:

- Krugman, Obstfeld and Melitz (KOM), *International Economics: Theory and Policy*.
- Supplementary reading packet (SRP) – current events articles provided electronically
- Reserve readings (RR) – selected chapters provided electronically

Class Meetings, Exercises and Exam Schedule:

There are 8 lecture sessions (3 hours each) which includes lectures and discussion on exercises when students will work in groups. Students are expected to complete the exercises and be able to present the results in class. Each is required to receive a passing grade to sit for the written final exam.

Room	Class Meetings		Written exam	
	Dates	Time	Date	Time
T-132	See lecture plan	09.15 - 12.00	04.09.2022	09.00 - 12.00

Evaluation Criteria:

Evaluation Weights		Grading Scale on Exam	
Exercises	pass required	Number	Letter
Final exam	100% of grade	90-100%	A
		80-89%	B
		70-79%	C
		60-69%	D
		50-59%	E
		< 50%	F