

Economics 454, Winter Semester 2025
Open Economy Macroeconomics Honors
Instructor: Prof. Santiago Camara

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Pre-requisites: ECON 250D1/D2. Restriction: Not open to students who have taken ECON 453D1/D2.

Course Description: This course is designed to provide comprehensive coverage of international macroeconomics topics, such as the balance of payments, nominal and real exchange rate determinations, monetary policy in open economies, benefits and costs of different exchange rate regimes, international financial crises, sovereign default crises, and the international role of the US dollar and the international spillovers of US monetary policy.

First, the course will cover the basis of modern international macroeconomic theory. This will entail the study of analytical frameworks which rely on algebra and calculus. Given the advanced nature of this class, we will cover analytical frameworks which may not be able to be solved analytically and can only be solved numerically. Certain software skills/proficiency are expected.

Second, the course aims to apply the theoretical analytical frameworks to both past and current phenomena. To this end, the course will cover the empirical analytical frameworks commonly used to study international debt sustainability.

Lastly, the course will allow students to discuss their own interests in class and pursue them in a final project. This final project will allow students to take the analytical skills developed in class and extend them and apply them in a context of the student's interest.

Required course material & readings: International Macroeconomics by Schmitt-Grohe, Uribe, and Woodford. There will also be other reading material, articles, etc. Every lecture will follow

lecture notes based on the chapters of the books and upon a wide range of sources, which will be duly referenced.

Practical details & Evaluation:

- **Class Participation: 5%**
- **Country Report: 10%**
- **Country Research Paper: 15%**
- **Problem Sets: 20%**
- **Midterm Exam: 20%**
- **Final Project / Final Exam: 30%**

Country Report: You will read a country report produced by the IMF. You will be reading what is known as an “article IV” country report. These reports go into detail explaining a country’s economic and financial situation using an empirical analysis driven by models and an economic framework. You will be asked to carry out a 15-minute presentation that summarizes the key economic data points presented in the report and the main takeaways from the report.

Country Research Paper: The students must propose a country and a topic to study. Students must then prepare a 15-minute presentation to be presented in front of the class. The deadline to submit the proposed country & topic is February 21st. Presentations will be carried out in class on (tentative date) March 18th. Students are encouraged to work in teams of up to 3 people (no exceptions). A typical presentation entails preparing slides and answering questions from the professor and classmates.

Problem Sets: There will be three (3) individual problem sets. The purpose of these problem sets is to test students’ comprehension of the analytical models seen in class.

Final Project / Final Exam: Students will have the option to choose between having submitted a final project or taking a final exam.

- Final Exam: The final exam will take place on the last day of class (April 10th), and it will be comprehensive of all the topics seen in class.
- Final Project: The final project allows students to pursue their own topics of interests in the field of international macroeconomics / finance. Students can choose a model seen in class and extend their analysis to a proper research project of their own. This could be an extension of a model seen in class or an empirical application. The grade of this final project will depend on the originality of the research question and the degree to which the student is able to answer it. There are two key dates for a student if she decides to pursue it. First, a student must choose a topic and receive explicit approval from the professor before March 1st. Second, a student must submit the final version of this research project by April 17th (a week after the last class).

Course delivery, and classroom participation and etiquette: Participation is strongly encouraged. Feel free to ask questions about all the topics discussed in class. These are questions over the topics presented, over the underlying mathematical tools, the logic of the models, but also on the ideology, philosophy and historical context surrounding the different theories. One of the key goals of this class is to have a dialogue on international macroeconomic topics, to question assumptions, and bring the theory into real life applications. This course is lecture heavy; attendance is recommended.

Extra points for course evaluations: If 90% or more of students complete student course evaluations, all students receive an extra 3 percentage points in their final grades.

Academic Integrity: McGill University values academic integrity. Therefore, all students must understand the meaning and consequences of cheating, plagiarism and other academic offences

under the Code of Student Conduct and Disciplinary Procedures. McGill's policy on Academic Integrity can be found [here](#).

L'université McGill attache une haute importance à l'honnêteté académique. Il incombe par conséquent à tous les étudiants de comprendre ce que l'on entend par tricherie, plagiat et autres infractions académiques, ainsi que les conséquences que peuvent avoir de telles actions, selon le Code de conduite de l'étudiant et des procédures disciplinaires (pour de plus amples renseignements, veuillez consulter [le guide pour l'honnêteté académique de McGill](#)).

Language of submission: In accord with McGill University's Charter of Student Rights, students in this course have the right to submit in English or in French any written work that is to be graded. This does not apply to courses in which acquiring proficiency in a language is one of the objectives.

Conformément à la Charte des droits de l'étudiant de l'Université McGill, chaque étudiant a le droit de soumettre en français ou en anglais tout travail écrit devant être noté, sauf dans le cas des cours dont l'un des objets est la maîtrise d'une langue.

Frequently Asked Questions:

Q: What are the math tools/knowledge requirements for this class?

A: You will need to be able to do calculus, graphing, exponentials, algebra and constrained optimization. You should feel comfortable with constrained convex optimization. I will do some more complicated math for the purposes of exposition, but I will not ask you to reproduce it on the exams although you should understand the underlying ideas. As a guide, I will preview any mathematical tool in problem sets and/or in class during lectures. In my experience, students usually have a negative preconception that mathematics makes economics more complicated.

Q: What is the most important thing?

A: **Most** importantly, please be assured that I want students to learn and to receive the good grades they deserve. So please make an appointment with me should you have difficulty with your work during the course.

Q: **What** about asking questions in class?

A: PLEASE! Feel free to ask questions if I haven't been clear about a definition, abbreviation, or I have skipped the explanation or step in a mathematical proof or derivation. Additionally, I am human, so I will make mistakes which you should feel free to correct. If you're puzzled by something, then probably everyone else is as well, so you'd be serving yourself, me, and your classmates' education by getting it cleared up. While I encourage you to question models' assumptions and philosophies, for the sake of time I might defer the question to office hours.

Q: What will the exams be like?

A: Exams will be focused on the theoretical frameworks seen in class. You will be presented with an economic model, and you will be asked to characterize it. For instance, you will be asked to present and describe first order conditions and equilibrium conditions, and to compute equilibriums.

Q: What happens if I get sick during an exam?

A: If you get sick after the exam has started, you will be subject to the same rules as established at the University level: <https://www.mcgill.ca/exams/contact-0/faq#:~:text=What%20should%20I%20do%20if,Affairs%20Office%20for%20more%20information>.

Q: What is the policy on regrading?

A: If you have any concerns regarding grading please get in touch with me. Mistakes in tallying scores would be corrected immediately. If you feel that an exam has been graded unfairly, please let me know. In such a case you must submit your entire exam for a regrade. Requests to regrade specific questions, however, will not be entertained. Exams written in pencil will not be regraded.

Q: My final grade is only X% below the final grade needed to obtain a letter grade, can I get a boost or round it up?

A: No, there will be no rounding up or boosting of grades.

Q: Are lectures recorded?

A: Lectures will be recorded if the classroom has an LRS system that records classes. I will use the whiteboard a lot, which is difficult to record on Zoom.

Q: What happens if I fail an exam or receive too low of a grade? Can I have a re-do of an exam?

A: Two weeks after each exam, students can take a re-do exam. This re-do exam makes the grade in the first exam void.