Lecture Days and Times: MW 1:00 PM to 3:05 PM  
Classroom: Humanities A65  
Office: TBA  
Office Hours: TBA  
I also hold additional office hours in the week leading up to an exam.  
e-mail: mcdevitt@econ.ucla.edu

 COURSE DESCRIPTION: Interpretation of balance of payments and adjustment to national and international equilibria through changes in price levels, exchange rates, and national income. Other topics include determination of exchange rates under various monetary standards, capital movements, currency unions, currency crisis, and international monetary organization.

PREREQUISITE: Economics 102 (Intermediate Macroeconomics).

STUDY QUESTIONS: There is no textbook for this class. Exams are based on the lectures only which I post on the course website. I will be providing study questions and old exam questions (posted on the course website). The study questions will not be collected or graded, but you should find them very useful in preparing for exams. Prior to each exam, I will also be posting an information sheet that clearly specifies the topics to be covered on the exam (will also be announced in class), extra office hours, the relevant study questions, hints/tips, and exam rules.  
https://moodle2.sscnet.ucla.edu/course/view/191C-ECON122-1

EXAMS: There will be two exams. The approximate weighting of the exams is as follows:  
First Exam. Week three: August 21st, Wednesday - 45%  
Final Examination. Week six: September 11th, Wednesday - 55%  
ALL exams must be taken at the scheduled time, 1:00 PM to 3:05 PM

POLICY ON MISSED EXAMS: Exams must be taken at their scheduled time. Please note that department policy does not allow for any makeup exam to be administered if a student misses a midterm. If a student has a legitimate reason (by “legitimate reason” I mean something serious and unanticipated) and can provide acceptable documentation of such of an excuse, then additional weight will be placed on the final exam (I make an adjustment based on degree of difficulty if the final exam has a significantly different mean score). Any such documentation, such as a doctor’s note, should clearly state that the student was incapacitated and was therefore unable to take the exam or faced a serious impediment that prevented attendance at the exam. A student who misses an exam without a valid, verifiable excuse will receive a zero. If due to a verifiable emergency, a student misses the final exam, then that student will be required to take a makeup final exam administered by the department at the officially announced day and time. If a student misses all exams this student will receive an automatic grade of “F”. Also, please note that once a student sits for an exam, I do not allow a retroactive dismissal of the exam nor do I change the weights specified in the syllabus.

EXAM RULES: Please note that calculators are NOT allowed for my exams. You will not be allowed to have cell phones or any other electronic devices on your desk during the exam. All backpacks should be zipped closed and all books put away. Failure to do so will delay the distribution of the exams for the entire class. When I announce that the exam has ended, all writing must stop. All that students should have on
their desks is a pen/pencil (s) and their photo ID card (which functions as a straightedge for drawing graphs). As a matter of department policy, we check photo IDs against a class roster.

**Center for Accessible Education (CAE):** Any student with a pre-existing illness or condition who requests special arrangements must (a) qualify under CAE rules for such special arrangements and (b) must take the exam with CAE. Any such arrangements with CAE must be communicated to the instructor during the first week of classes. For additional information and the qualification conditions of the Center for Accessible Education please visit their website at [https://www.cae.ucla.edu/](https://www.cae.ucla.edu/). All other students must take the exam at the scheduled time under the same time constraints. It is the responsibility of all students who request special arrangements with CAE to be familiar with all of their rules as well as the rules of this class.

**ACADEMIC DISHONESTY**  
Any cases of cheating will be reported to the Office of the Dean of Students. For more details please refer to the Office of the Dean of Students website at [https://www.deanofstudents.ucla.edu/Academic-Integrity](https://www.deanofstudents.ucla.edu/Academic-Integrity)

**TOPICS**

- **Week one:** Exchange rates and the Foreign Exchange market.  
  Definitions, terms, arbitrage, covered interest parity, uncovered interest parity, fixed vs. floating

- **Week two:** Exchange rate determination in the long run (Monetary Approach)  
  Real exchange rates, purchasing power parity, money market and exchange rate, Fisher effect, interest rate parity, monetary and exchange rate regimes, policy trilemma.

- **Week three:** Exchange rate determination in the short run (Asset Approach)  
  Uncovered interest parity condition, interest rate in short run, nominal rigidities in short run, asset approach model, combining the SR and LR approaches, fixed exchange rate regimes

  **EXAM ONE:** August 21st, Wednesday

- **Week four:** Open Economy macroeconomics (short run)  
  IS-LM model for open economy, monetary policy in a floating exchange rate regime, monetary policy in a fixed exchange rate regime, fiscal policy in a floating exchange rate regime, fiscal policy in fixed exchange rate regime, liquidity traps, quantitative easing, policy trilemma, overshooting, J-curve

- **Week five:** Marshall-Lerner Condition, Balance of Payments, open economy macro identities  
  Marshall-Lerner condition, multiple equilibria, exchange rate pass-through, definitions & accounting identities, current account, capital account, financial account, external wealth

  **UNIVERSITY HOLIDAY: Monday, September 2nd, NO CLASS**

- **Week six:** Balance of Payments (cont.), Exchange rate crises, currency crisis models, the Euro, Debt and Default  
  Various current crisis models presented, relationship to debt

  **EXAM TWO:** September 11th, Wednesday