

University of Toronto
ECO365H1F - International Monetary Economics
Fall 2012

Useful information

Lectures : Tuesday 10:10 am - 12 pm in LM 162 (L0101), 2:10 - 4 pm in WI 1016 (L0201)

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Office hours : Wednesday 9:00 - 10:00 am

Teaching assistants : Akber Nafeh (a.nafeh@utoronto.ca)

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Office hours : TBA

Objective

This course is an introduction to open economy macroeconomics and international finance. The core objective of the course is to develop macroeconomic models of open economies. In particular, we shall learn how exchange rate and output are determined simultaneously through the interaction of goods and money markets. These models can be applied towards gaining an understanding of recent events such as the expanding US current account deficit, the vulnerability of the Euro and currency crises in both developed and developing countries.

Prerequisites and Exclusions

Check out the *Document on Prerequisites* posted on Portal under COURSE INFORMATION.

Textbook

The main textbook for the course is Robert C. Feenstra and Alan M. Taylor's, *International Macroeconomics* (FT), Worth Publishers, second edition (ISBN : 1-4292-4103-9). This book is available for purchase at the UofT bookstore. It is also available at the Short-Term Loan Service at the Robarts Library (3rd Floor) in very limited numbers. FT is available in both bound, as well as, loose leaf versions. You can also use the first edition of FT if you want. An

e-book version of the book, compatible with a number of smart phones and tablets, is available at [Coursesmart](#).

Marking scheme

There will be 2 on-line quizzes, each worth 5 percent of the total grade. There will also be an assignment worth 10 percent of the total grade. The mid-term, to be held during regular lecture hours, will be worth 30 percent of the total grade. 50 percent of the grade will be based on performance in the Final exam.

Important dates

11th September	First lecture
7th October	Quiz 1 due
16th October	Midterm
4th November	Last day to drop course
12th-13th November	Fall break
14th November	Assignment due
25th November	Quiz 2 due
4th December	Last lecture

Administrative details

1. (Missing quizzes, assignments or tests): If you miss a quiz, you lose all the points. The penalty for handing in the assignment late is 20 percent of the total points for the assignment, *per day*. If you miss the midterm for any reason, you must send me an e-mail *before* the exam. You must also meet me in my office afterwards and explain the reason for your absence (and provide supporting documents). If you miss the midterm for health reasons, then you should bring a medical note to the meeting (see below for acceptable medical notes). In the event that I deem you eligible for accommodation (which is in no way guaranteed), you will be allowed to take a make-up test, which will be held within one week of the original test. If you fail to inform me of your absence before the test, you will get a 0 on the midterm. If you fail to meet me to explain the cause for your absence, you will get a 0 on the midterm. If you miss the make-up test, you will also get a 0 on the midterm.
2. (Medical notes): The only medical note that will be accepted is the University of Toronto Student Medical Certificate (see the Registration Handbook & Timetable for a copy of

the certificate). The medical note must be *original* (not scanned, copied, or e-mailed). The doctor's OHIP registration number must be provided on the note. *Retroactive notes will not be accepted* (i.e., notes saying that "student claims to have been sick on the day of the test").

3. (Academic misconduct): *I shall not tolerate any form of academic misconduct*. Punishment for such an offense could range from failing the course to suspension or dismissal from the university. Please review the University's Code of Behavior on Academic Matters regarding what constitutes an academic offense. You should also take a look at the website of the [Office of Student Academic Integrity \(OSAI\)](#).
4. (Appealing an exam): Appeals regarding the grading of a test must be submitted to me or to the TA in writing, within one week of returning the graded work. If I find the complaint justified, I (and not the TA) shall re-grade *the entire exam*. Since I am a less lenient grader than the TA, this could lead to your grade going up or down. So, think twice before you appeal your grades.
5. (E-mail policy): I shall try my best to respond to e-mail within 48 hours on a weekday, 72 hours on a weekend. When you send me an e-mail, always write the course number on the Subject line, i.e., ECO365. Every day I receive numerous e-mails, and if the subject line is not informative, I might inadvertently delete your e-mail. Please use e-mails for appointments, administrative or urgent matters. Note, however, that I shall not reply to e-mails requesting information that can be found on the website or the syllabus; so you should check those places first. For clarification regarding course material, please see me or the TA during office hours.
6. (Attendance): Attendance is not compulsory. Keep in mind, however, that the textbook and the lectures are not substitutes but complements.
7. (Accessibility needs): The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: disability.services@utoronto.ca or www.accessibility.utoronto.ca/

Course outline

Introduction

- FT Chapter 1
- Ken Rogoff, “Managing the World Economy”, *The Economist*, August 1, 2002.

1. Exchange Rate and the Foreign Exchange Market

- FT Chapter 2
- “Poor dollar standard”, *The Economist*, August 13, 2011.
- “High loonie has taken its toll on the auto sector, bank says”, *The Globe and Mail*, March 1, 2012.

2. Exchange Rate and the Long Run

- FT Chapter 3
- “Consumers not benefiting from strong loonie”, *CTV News*, September 20, 2007.
- “Fast food for thought”, *The Economist*, July 30, 2011.
- “On the origin of specie”, *The Economist*, August 18, 2012.

3. Exchange Rate and the Short Run

- FT Chapter 4
- “Cash machine”, *The Economist*, August 11, 2012.
- “Race to the bottom”, *The Economist*, August 12, 2010.

4. National Income Accounts and Balance of Payments

- FT Chapter 5
- “Fear of the Dragon”, *The Economist*, January 7, 2010.
- “Money Sent Home by Latin American Expatriates to Drop”, *The Wall Street Journal*, August 12, 2009.

5. Output, Exchange Rate and Macroeconomic Policies in the Short Run

- FT Chapter 7
- “Canada’s growing divide in riches”, *The Globe and Mail*, March 3, 2012.
- “Switzerland takes surprise action to weaken the franc”, *The New York Times*, August 3, 2011.
- “Forty years on”, *The Economist*, August 13, 2011.

6. Optimum Currency Area and Euro

- FT Chapter 10
- “Iceland eyes loonie, Canada ready to talk”, *The Globe and Mail*, March 2, 2012.
- “All pain, no gain”, *The Economist*, December 9, 2010.
- Paul Krugman, “Can Europe be saved”, *The New York Times*, January 12, 2011.

7. Exchange Rate Crises

- FT Chapter 9
- “Argentine Peso Sinks to New Lows as Crisis Continues”, *The New York Times*, January 17, 2002.
- “Ten years on”, *The Economist*, July 4, 2007.