

University of Toronto  
**ECO365H1F - International Monetary Economics**  
Winter 2014

**Useful information**

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

Instructor : Kunal Dasgupta

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Office hours : Wednesday 10:00 - 11:00 am

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**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**

Prerequisite: ECO202/ECO208/ECO209

Exclusion: ECO230/ECO328

**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 [www.coursesmart.com](http://www.coursesmart.com). From time to time, I shall also post articles from other sources like The Economist, The New York Times, The Wall Street Journal, etc.

## Marking scheme

There will be 4 on-line quizzes, each worth 5 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

7th January	First lecture
23rd January	Quiz 1 due
6th February	Quiz 2 due
11th February	Midterm
18th February	No lecture
9th March	Last day to drop course
13th March	Quiz 3 due
1st April	Last lecture
3rd April	Quiz 4 due

## Administrative details

1. (Missing quizzes or exams): If you miss a quiz, you lose all the points. 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, or fail to meet me to explain the cause for your absence, or miss the make-up test, you will get a score of 0 on the midterm.
2. (Medical notes): The only medical note that will be accepted is the University of Toronto's Verification of Student Illness or Injury. The medical note must be *original* (not scanned,

copied, or e-mailed). *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 [Academic Success Center](#).
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 your receipt of 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. *Exams written in pencil will not be re-graded*.
5. (E-mail policy): I shall try my best to respond to e-mail within 48 hours. When you send me an e-mail, always write the course number on the Subject line. 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 during office hours.
6. (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](mailto:disability.services@utoronto.ca) or [www.accessibility.utoronto.ca/](http://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.