

ECO365– INTERNATIONAL MONETARY ECONOMICS Summer 2016

Jordi Mondria

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Overview

This course presents International Monetary Economics theory and applies it towards gaining an understanding of recent events and current policy issues. The theory presented in this course covers a broad range of topics including exchange rate determination, monetary and fiscal policy in an open economy (that is, an economy that trades goods and assets with the rest of the world), balance of payments crises, the choice of exchange rate systems, and international debt. The insights provided by these theoretical frameworks will enable us to discuss topics such as the US current account deficit and global financial imbalances, the Chinese exchange rate regime, proposed changes in the international financial architecture, the single currency in Europe, the Asian and Argentine financial crises, global financial imbalances, and the role of international factors on a nation's employment, wage and economic performance.

Course materials

Paul R. Krugman, Maurice Obstfeld and Marc Melitz, "International Economics: Theory and Policy: International Macroeconomics Custom Edition" (10th edition, Addison-Wesley), ISBN: 9781323125335. Further readings from the financial press will be assigned and discussed during the course.

Marking Scheme

- Final exam: 50%
- Midterm test: 30%
- 2 Problem sets: 10% each

If your score on the final is better than on the midterm **and** your midterm score is above 30%, then the midterm does not count and its weight is automatically shifted towards the final. The same does **not** hold for problem sets.

The first problem set is due in class on May 18.

The midterm will be written on May 25. The midterm location will be announced in class and on the course webpage. Important: the test locations will differ from your regular classroom locations!

The second problem set is due in class on June 13.

Penalty for Late Problem Set

There is a penalty of 10 points per day for late assignments, and problem sets will not be accepted after one week late.

Missing a Midterm

The midterm is a crucial component of the course, and it is compulsory. No make-up tests are offered for missed midterms. A missed midterm counts as 0.

In exceptional circumstances, when for documented serious medical reasons a student is unable to write the test, I will shift the weight of the missed midterm to the final exam.

If you miss a midterm, please provide medical documentation of your illness and send an email to Professor Mondria meeting all of the following specifications.

- (a) Your e-mail must be sent **before** the start of the missed test. (In cases of extreme emergencies up to 24 hours will be allowed.)
- (b) The subject line must be "ECO365: missed test".
- (c) The e-mail is sent from your U of T account (i.e., not gmail, yahoo, etc.)
- (d) It concisely explains why you missed the test.
- (e) It lists all the other courses that you are currently taking, with the times these courses meet and the names and contact information of your other professors. It identifies all term work (e.g., tests, class attendance, homework assignments) that you have submitted or will submit in other courses during the week of your missed test or it says "no other term work was submitted and no classes were/will be attended during the week of my missed test."
- (f) The last sentence is "I understand that it is a punishable academic offence to present false information in support of my request for accommodation for missed term work".
- (g) The e-mail concludes with your name and student number.
- (h) The writing must be clear and appropriate for an academic setting.

Appeals

Appeals regarding the grading of a test must be submitted to me in writing within one month of your receipt of the graded work. The original test must accompany the appeal. I will re-grade the entire test. Note that this may lead to a lower overall grade. Your complaint has to be in writing and in detail.

Additional Details

Optional Questions: I will assign optional questions from the textbook for each chapter. A set of brief answers to these questions will be provided. Students will not be asked to submit their solutions for marking. But the payoff to students who conscientiously work through them is that a number of the questions to appear on the midterm test and the final examination will be derivatives of the assigned problems. These set of questions will be posted under “optional problems” in the class website.

Class Attendance is not required. However, students are responsible for all material covered in class, in the textbook, and in the required readings posted on the class website.

Class participation is encouraged and will count positively on marginal adjustments.

Plagiarism: I take academic honesty very seriously. Plagiarism is a severe academic offense. Please review the University’s Code of Behavior on Academic Matters regarding what constitutes an academic offense.

E-mail policy: Please use e-mails for appointments, administrative or urgent matters. E-mails are NOT to be used for questions about the course, lectures, tutorials etc. Instead, you are encouraged to come to my office hours and use the discussion board. You must use your U of T e-mail as non-U of T e-mails are sometimes automatically quarantined as ‘junk e-mail’.

U of T Double Sided Printing Initiative: To conserve paper, please print double-sided (learn how at: printdoublesided.sa.utoronto.ca).

Course Outline

All supplementary course materials (readings, announcements, solutions, etc.) will be posted on the class website. **Please check the class website frequently to stay up to date with the course.**

You are responsible for all readings in the folder “Required Readings” in the course website even if they were not covered in class.

KOM below refers to the textbook for the course (Krugman, Obstfeld and Melitz).

- 1. Exchange Rates and the Foreign Exchange market**
 - KOM ch.14
- 2. National Income Accounting and the Balance of Payments**
 - KOM ch.13
- 3. Intertemporal Trade and the Current Account Balance**
 - Lecture Notes
- 4. Output and Exchange Rate Determination**
 - KOM ch.15, 16, 17
- 5. Monetary and fiscal policy with fixed and flexible rates**
 - KOM ch.18
- 6. Exchange Rate Regimes**
 - KOM ch. 19
- 7. Sovereign Debt Default and Speculative Attacks**
 - Lecture Notes