

# International Monetary Economics (ECO365)

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University of Toronto  
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## Important information

Lectures :

- Thursdays, 2:10 pm - 4 pm in SS 2118 (L0101).
- Thursdays, 6:10 pm - 8 pm in SS 2102 (L0501).

Office : Max Gluskin House, 150 St George Street, Room 328.

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Website : <https://sites.google.com/site/dasguptakunal/teaching>

Office hours : Wednesdays, 9:30 am - 10:30 am.

Teaching assistants :

- Amina Enkbold ([amina.enkbold@mail.utoronto.ca](mailto:amina.enkbold@mail.utoronto.ca))  
Office hours : Fridays, 4 pm - 5 pm in GE 40.
- Haofei Zhang ([haofei.zhang@mail.utoronto.ca](mailto:haofei.zhang@mail.utoronto.ca))  
Office hours : Mondays, 12 pm - 1 pm in GE 40.
- Swapnika Rachapalli ([s.rachapalli@mail.utoronto.ca](mailto:s.rachapalli@mail.utoronto.ca))  
Office hours : Tuesdays, 12 pm - 1 pm in GE 40.

## Objective

This course is an introduction to international monetary economics. The core objective of the course is to develop macroeconomic models of open economies. In particular, we shall learn how exchange rate, interest rate and output are determined simultaneously through the interaction of goods, money and foreign exchange markets. These models can be applied towards gaining an understanding of recent events such as the strengthening and subsequent weakening of the Canadian dollar, the U.S. current account deficit and the euro crisis.

## **Prerequisites and Exclusions**

The departmental policy regarding enrolment and prerequisites can be found [here](#). For help with enrolment, please contact Robbie Innes ([rinnes@chass.utoronto.ca](mailto:rinnes@chass.utoronto.ca)) or if you are a commerce student, Jenny Fan ([jenfan@chass.utoronto.ca](mailto:jenfan@chass.utoronto.ca)).

## **Textbook**

The main textbook for the course is Robert C. Feenstra and Alan M. Taylor's, *International Macroeconomics* (FT), Worth Publishers, fourth edition. This book is available for purchase at the UofT bookstore. FT is available in both bound as well as loose leaf versions. You can also use earlier editions of FT.

## **Marking scheme**

Assessment consists of online quizzes (20%), assignments (20%) and one final exam (60%). There will be 8 on-line quizzes, each worth 2.5 percent of the total grade. There will also be 4 assignments, each worth 5 percent of the total grade. The final exam will be worth 60 percent of the grade.

## **Administrative details**

1. (Missing quizzes or assignments): If you miss a quiz, you lose all the points. There will be no make-up quiz. If you do not hand in your assignments, you lose all the points.
2. (E-mail policy): I shall try my best to respond to e-mails 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.
3. (Academic misconduct): All students, faculty and staff are expected to follow the University's guidelines and policies on academic integrity. For students, this means following the standards of academic honesty when writing assignments, citing and using source material appropriately, collaborating with fellow students, and writing tests and exams. Ensure that the work you submit for grading represents your own honest efforts. Plagiarism representing someone else's words as your own or submitting work that you have previously submitted for marks in another class or program is a serious offence that can result in sanctions. Speak to me or your TA for advice on anything that you find unclear. Also, see the U of T writing support website at [www.utoronto.ca/writing](http://www.utoronto.ca/writing). Consult

the Code of Behaviour on Academic Matters for a complete outline of the University's policy and expectations.

4. (Accessibility needs): Students with diverse learning styles and needs are welcome in this course. If you have an ongoing disability issue or accommodation need, you should register with Accessibility Services (AS) ([accessibility.utoronto.ca](http://accessibility.utoronto.ca)) at the beginning of the academic year. Without registration, you will not be able to verify your situation with your instructors, and instructors will not be advised about your accommodation needs. AS will then assess your medical situation, develop an accommodation plan with you, and support you in requesting accommodation for your course work. Remember that the process of accommodation is private: AS will not share details of your condition with any instructor, and your instructors will not reveal that you are registered with AS.
5. (Cell phones and laptop usage): Technology can support student learning, but it can also become a distraction. Out of respect for your fellow learners in this class, please refrain from using laptops or mobile phones for entertainment during class and do not display any material on a laptop which may be distracting or offensive to your fellow students. Laptops may be used only for legitimate classroom purposes; checking social media, email, texting, games, and surfing the Web are not legitimate classroom purposes. Such inappropriate laptop and mobile phone use is distracting to those seated around you and is unprofessional.

## Important dates

Thursday, 7th September	First lecture
Sunday, 17th September	Quiz 1 due
Sunday, 24th September	Quiz 2 due
Wednesday, 4th October	Assignment 1 due
Sunday, 8th October	Quiz 3 due
Sunday, 15th October	Quiz 4 due
Wednesday, 25th October	Assignment 2 due
Sunday, 29th October	Quiz 5 due
Sunday, 5th November	Quiz 6 due
Monday, 6th November	Last day to drop course
Thursday, 9th November	Reading week – no classes
Wednesday, 15th November	Assignment 3 due
Sunday, 19th November	Quiz 7 due
Sunday, 26th November	Quiz 8 due
Thursday, 30th November	Last lecture
Wednesday, 6th December	Assignment 4 due

# Course outline

## Introduction

### Week 1

#### 1. Exchange Rate Basics

##### Week 2

- FT Chapter 2
- “Lower dollar means higher costs for Canadians”, *Toronto Star*, December 7, 2015.
- “How to hedge against a loonie in decline”, *The Globe and Mail*, June 28, 2013.
- “Using U.S. dollars, Zimbabwe finds a problem: No change”, *The New York Times*, April 24, 2012.

#### 2. Exchange Rate and the Long Run

##### Week 3, 4

- FT Chapter 3
- “Consumers not benefiting from strong loonie”, *CTV News*, September 20, 2007.
- “Fast food for thought”, *The Economist*, July 30, 2011.
- “Canadian dollar briefly surges past 81 cents as economy booms”, *The Globe and Mail*, September 1, 2017.

#### 3. Exchange Rate and the Short Run

##### Week 5, 6

- FT Chapter 4
- “Cash machine”, *The Economist*, August 11, 2012.

#### 4. National Income Accounts and Balance of Payments

##### Week 7

- 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

*Week 8, 9*

- FT Chapter 7
- “High loonie has taken its toll on the auto sector, bank says”, *The Globe and Mail*, March 1, 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

*Week 10, 11*

- 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 crisis

*Week 12*

- 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.