

International Monetary Economics (ECO365)

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Important information

Lecture : Tuesdays, 12:10 pm - 2 pm in AH 400

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Office hours : Tuesdays, 5 pm - 6 pm.

Teaching assistants :

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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.

Important dates

11th September First lecture
23rd October Midterm (during regular lecture hours)
6th November Reading week – no lecture
4th December Last lecture

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. An e-book version of the book, compatible with tablets and smart phones, is available here: <https://store.macmillanlearning.com/ca/>.

Marking scheme

Assessment consists of weekly online quizzes (15%), a mid-term (25%) and a final exam (60%). There will be 10 on-line quizzes, each worth 1.5 percent of the total grade.

Administrative details

1. (Missing the midterm): If you miss the midterm for any reason, you must send me an e-mail *before* the test. You must then meet with me at the earliest opportunity and provide relevant documents. If I agree that your absence from the test was justified, I will allow you to write a make-up test, which will be held within 2 weeks of the original test. If you fail to inform me of your absence before the test or fail to provide supporting documents or miss the make-up test, you will get a 0 on the midterm. *No exceptions.*
2. (Medical notes): The only acceptable medical note is the [University of Toronto Verification of Student Illness or Injury form](#). You must provide me with the original note and not photocopies. Furthermore, retro-active notes (those that say “the student claimed to have been sick on this day...”) are not acceptable. Submitting a fake medical note is a serious academic offence.
3. (Missing quiz): There will not be any make-up quiz.
4. (Appealing the midterm): If you are unsatisfied with your grade, you should get in touch with the TA who graded your test within one week after the return of the graded work. If the issue is not resolved, you can appeal to me. Appeals must be submitted to me in writing. 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, 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. I shall not reply to e-mails requesting information that can be found on the website or the syllabus; so if you have a question, you should check those places first. For clarification regarding course material, please see me or the TA during office hours.

6. (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. Consult the Code of Behaviour on Academic Matters for a complete outline of the University's policy and expectations.
7. (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) 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.
8. (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.

Course outline

1. Exchange Rate Basics

Week 2

- FT Chapter 2
- “The ripple effect: How the slumping loonie affects businesses across Canada”, *The Globe and Mail*, January 23, 2014.
- “Using U.S. dollars, Zimbabwe finds a problem: No change”, *The New York Times*, April 24, 2012.
- “How to hedge against a loonie in decline”, *The Globe and Mail*, June 28, 2013.

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.
- “Boom, bust, peg, parity – the Canadian dollar has seen it all before”, *The Globe and Mail*, January 16, 2016.

3. Exchange Rate and the Short Run

Week 5, 6

- FT Chapter 4
- “Canadian dollar briefly surges past 81 cents as economy booms”, *The Globe and Mail*, September 1, 2017.
- “Quantitative easing and the decline of the euro”, *Financial Times*, March 13, 2015.
- “Venezuela’s Economy Suffers as Import Schemes Siphon Billions”, *The New York Times*, May 5, 2015.

4. National Income Accounts and Balance of Payments

Week 7

- FT Chapter 5
- “Fitter yet Fragile”, *The Economist*, January 5, 2013.
- “The U.S. Trade Deficit: How Much Does It Matter?”, *Council on Foreign Relations*, September 5, 2017.
- “The world’s newest creditor nation: Canada”, *The Globe and Mail*, March 13, 2014.

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.
- “Resilient Romania finds a currency advantage in crisis”, *The New York Times*, November 3, 2012.
- “All pain, no gain?”, *The Economist*, December 9, 2010.

7. Exchange rate crisis

Week 12

- FT Chapter 9