

# DEPARTMENT OF ECONOMICS UNIVERSITY OF TORONTO

## International Monetary Economics ECO365H1-S (LEC5201)

Winter 2020  
WEDNESDAY 6 – 9pm KP108

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### COURSE DESCRIPTION:

This course will first focus on the development of a theoretical framework for the analysis of the nature, effects and policy implications of international finance; balance-of-payments and foreign exchange analysis. Then, the theoretical framework will be extended to examine liquidity problems and topics related to current problems in international finance.

### REQUIRED TEXTBOOK:

International Economics: Theory and Policy (Eleventh Edition), Krugman, P.R., Obstfeld, M., and Melitz, M., only buy from UT Bookstore to make sure you get the book specified for this course.

### PREREQUISITES & EXCLUSIONS:

Prerequisites: *ECO202Y1/ECO208Y1/ECO209Y1*

Prerequisites are strictly checked and enforced and must be completed before taking a course. By taking this course you acknowledge that you will be removed from the course at any time if you do not meet all requirements set by the Department of Economics. For further information you can consult the Undergraduate Academic Handbook.

Exclusions: *ECO230Y1/ECO328Y1*

## COURSE ASSESSMENTS:

Mid-term Date: on a weekday (around 6pm) in mid to late February pending on room booking confirmation. Mid-term 35%, final examination 45% (*If the mid-term is better than the final examination*). Or, Mid-term 20%, final examination 60% (*If the final examination is better than the mid-term*). Re-reads of the mid-term will be granted if the test is written in *pen* and returned to me *within one week* of the date of its return to the class. In addition to this, you must include *in writing* and with specificity, your question or concern with the grading. Please be advised that the marker may re-read and re-mark the entire test. Any addition errors will, of course, be corrected on the spot.

The variable weights for the mid-term and the final examination are designed to encourage students to work harder on their final examination in case their mid-term is not satisfactory. The final examination will be held during the *final examination* period in April and will be *cumulative*.

Group project (20%) with 3,000 words on the analysis of Canadian exchanger rate, interest rate, and trade balance to be submitted in class on April 1 (no late submission or soft copy will be accepted). Each group can have at most five members.

## POLICY ON MISSED TEST:

Students who miss the Mid-term will be assigned a mark of zero unless they satisfy the following conditions: Students who miss the Mid-term for reasons entirely beyond their control may, *within one week of the Mid-term*, submit to the instructor a written request in person for special consideration explaining the reason for missing the Mid-term, and attaching appropriate documentation.

Note the following two university policies: (1) A statement from a physician that merely confirms a report of illness and/or disability made by the student is not acceptable. (2) A student who misses a term test cannot subsequently petition for late withdrawal from the course on the grounds that he or she has had no term work returned before the drop date.

If the Mid-term is missed due to illness and valid supporting document is submitted within one week of the test that states: (1) Student name and student number and (2) that the student is *examined* and *diagnosed* of illness on the day of the test or before or immediately after (i.e. the next day) of the test, then the weight of the Mid-term will be shifted to the Final Examination (that is, a 80% final examination).

## COMMUNICATIONS:

All course materials and announcements will be posted on Quercus. You need to check for updates on a regular basis, especially the day before each class.

I prefer receiving email and I will *only respond* to email sent through *UTOR account* for record-keeping and identification purposes. I usually reply to email within 24 hours during working weekdays. Please put "*ECO365*" in the message title as this will help draw my attention to your email. I will only respond to email with questions that can be answered in a sentence or two. For any detailed question that involves equation or diagram, or regarding the results of graded material, then you should see me in class. There are limits to how much time I can spend answering email, so please do not abuse this privilege. In addition, I will not respond to questions already covered in the syllabus or other announcements, or to any email sent within 24 hours of your test or final examination. Email should not be seen as a means to receive private tutorials or review material that was covered in class but you missed.

## **ACADEMIC MISCONDUCT:**

Students should note that copying, plagiarizing, or other forms of academic misconduct **will not be tolerated**. Any student caught engaging in such activities will be subject to academic discipline ranging from a mark of zero on the test or examination to dismissal from the university as outlined in the Undergraduate Academic Handbook. Any student abetting or otherwise assisting in such misconduct will also be subject to academic penalties.

## **TOPICS:**

1. National Income Accounting and the Balance of Payments
2. Exchange Rates and the Foreign Exchange Market: An Asset Approach
3. Money, Interest Rates, and Exchange Rates
4. Price Levels and the Exchange Rate in the Long Run
5. Output and the Exchange Rate in the Short Run
6. Fixed Exchange Rates and Foreign Exchange Intervention