

ECO365H1F Section L0101 International Monetary Economics Syllabus

Li Li

2022 Summer

Key Information

Time: Mondays and Wednesdays 10:00am-1:00pm (Toronto time)

Instructor: Li Li; Email: lili.uoft.teaching@gmail.com

- This is an **online course**, but **pay attention that there is an IN-PERSON FINAL**.
- **The lectures are pre-recorded**. If there is a need for a live lecture later, I will announce on Quercus at least 1 week in advance; these live lectures will be recorded.
- I will post **lecture videos** on **Quercus** (the *Modules* section).
- On **Mondays 10:00am-11:00am** (Toronto time), I will hold an **office hour** answering students' queries for that week's lecture. The Zoom link will be posted ~15 minutes beforehand.
- This course uses **basic differential calculus**—for instance, you need to know $d \log(x)/dx = 1/x$, $dx^2/dx = 2x$. The math used in this course will be kept minimal and will be covered in class.
- The lecture notes of this course are **self-contained**.

EMAIL POLICY

- Please use the email address **lili.uoft.teaching@gmail.com** to contact me.
- **Please DO NOT USE Quercus' email system to contact me, even though I will use it for announcements**. Emails that are sent to Quercus or other email addresses will be ignored. I make this email policy because Quercus does not offer a way to search emails by content. It would not be feasible for me to track emails from many students.

ENROLLMENT

- Enrollment is administered **centrally by the university**.
- Please check the **prerequisites** by yourself. (See <https://artsci.calendar.utoronto.ca/course/eco365h1>.)
- I do not have the authority to make any exceptions regarding the prerequisites.

Quercus Discussion Board

- We shall make heavy use of the **Quercus discussion board**. The discussion board is an important element of this course. While I deliver mainly a theoretical background to help to organize the facts, studying the facts themselves is also a key part of this course. It would be beyond my ability to supply all the facts to you. Instead, this is achieved by reading the contributions of your fellow students and also contribute at the same time. Hope you enjoy it as I do.
- This course involves **open-ended** questions. If your question generates **fruitful discussions**, you and your **active** participants will **receive participation marks** (see the below for **Grading Policy**). I and the TAs will monitor the Quercus discussions, but we **will not interfere unless necessary**.
- To provide room for discussions, students are advised to post **news articles/videos** of interest (**related to the course**) to begin a discussion. The **language** has to be **English**.¹
- **The Original Poster** does not necessarily get rewarded more than the **Respondents**. If you find your intended topic has been posted by another student, try responding there.
- **Meaningless posts/responses do not count**. For example, if you just repeatedly write something empty like "Wow, this news is really interesting!" in every post/response without any true feedback, you **may lose all the participation marks** (even if you do post something **truly interesting** later).
- Our students come from different parts of the world. **Do not expect everyone know much about your country (in case you write about it)**. So when you write your post, you need to **explain** by giving the necessary background. **Clarifying questions** by the other students are encouraged.

¹In case you absolutely need to have to use a source in another language, you will have to provide a **proper translation** by yourself.

- You may write about any country, **not necessarily your own**.
- Preferably, students could broadly exchange ideas. If I and the TAs spot **frequent exchanges by the same group of students**, the **marginal benefit** of additional exchanges will be **discounted**.
- The discussions do not have to be about **current events**. E.g., you can talk about **the Great Depression in the 1930s** or **the money system in the ancient Rome**. The discussion topic ideally should be related to our course, but other **broader economic** topics are permitted—I shall not impose a strict requirement on this.
- Students should **refrain from using aggressive/offensive words**. Try not to be **political**. Discussions that are out of control will be closed.

Evaluation Criteria

1. A participation mark of **8%** would apply to the majority of the students. This 8% applies when you have 6 posts/replies **in the whole course** with meaningful content (I.e., 1 post/reply per week on average).
2. The **top 10%** of students will get **10%** participation (instead of 8%). This additional 2% will be based on the **quality** of the content only instead of quantity. **Not every post of yours would be read by me/TA**. For each student, we would just randomly select a limited number of posts for evaluation.
3. If a student produces **too many meaningless responses/posts** or use **offensive language**, then he/she would receive less than 8% participation.

Textbooks

- (Main) **Paul R. Krugman, Maurice Obstfeld and Marc Melitz, "International Economics: Theory and Policy"** (10th/11th edition)
- (Supplementary) **Champ, Bruce, Scott Freeman, and Joseph Haslag. Modeling Monetary Economies. Cambridge University Press, 2016.** Either the 2nd or 3rd version would suffice.

Required Readings

Any required article would be posted on **Quercus** under **Required Readings**.

Grading Policy

Item	%
Quercus Participation	10
Problem Set 1 (Group)	15
Problem Set 2 (Group)	15
Problem Set 3 (Group)	25
In-Person Final	35
Total	100

Final

- The in-person final have a similar format as those of the problem sets, except that **it is an individual assessment**.
- Pay extra attention: The final is **IN-PERSON**.

Group Problem Sets

- The problem sets of this course will contain both **open-ended** questions and **theoretic questions** (which have definite, numerical answers).
- The **open-ended questions** are **essay-based**.
- However, your answer to the open-ended questions should contain a **structure**. That is, **you would get more marks** if you can try extending the **models/concepts** taught in class for your own use, and then base your arguments on them.²
- The problem sets will be posted on **Crowdmark** as **Group Assignments**. I will also make an announcement on **Quercus** when I distribute a problem set.
- You can form your own group (up to 5 students). In your submission, remember to **write down the names and student numbers of all members**.
- To avoid **free-rider problem**, in case you find out that some member in your group is not working, you are free to switch to another group for the later problem sets.
- Students who are unable to find a group for Problem Set 1 should **notify the instructor**. **The instructor could help assigning them into groups**.

²Certainly, it would be difficult to apply/extend a model at the beginning of a semester. But I expect more formal discussions in the later problem sets.

- Every student in a group should make sure that the submission of **every question** is properly done before the respective deadlines. I will not accept excuses such as "One group member is not working and we didn't know about it before the deadline, so our group is unable to finish the problem set on time."
- All the members of a group would get the same mark for a problem set.

Course Description

This course serves as an introduction to global macroeconomics and finance with an emphasis on the conduct of policy. We will analyze open-economy macroeconomic models and apply them towards gaining an understanding of recent events and current policy issues. The theories presented in this course cover a broad range of topics including current account, 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 sovereign 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, and the role of international factors on a nation's employment, wage and economic performance.

This course is **topic-based**. We will extract key concepts/models from Part 3: **Exchange Rates and Open Economy Macroeconomics** and some of Part 4: **International Monetary Policy**. from the **main** textbook.

We would also mention some parts of the second book (the **overlapping generation model**) which provides a rigorous foundation on why money is being used as a **medium of exchange**. I will give the exact details later.

Course Outline and Schedule

The below may subject to **minor adjustments**.

Lecture	Topic/Coverage	Time
Lecture 1	Foreign Exchange Market (I)	<2022-05-09 Mon>
Lecture 2	Foreign Exchange Market (II)	<2022-05-11 Wed>
Lecture 3	Exchange Rate Determination (I)	<2022-05-16 Mon>
Lecture 4	Exchange Rate Determination (II)	<2022-05-18 Wed>
Lecture 5	Exchange Rate Determination (III)	<2022-05-23 Mon>
Lecture 6	AA-DD Curve (I)	<2022-05-25 Wed>
Lecture 7	AA-DD Curve (II), Fixed Exchange Rate	<2022-05-30 Mon>
Lecture 8	Currency Crisis	<2022-06-01 Wed>
Lecture 9	National Income Accounting and Balance of Payments	<2022-06-06 Mon>
Lecture 10	A Model of Current Account	<2022-06-08 Wed>
Lecture 11	Overlapping Generations Model	<2022-06-13 Mon>
Lecture 12	Sovereign Defaults	<2022-06-15 Wed>
In-Person Final	Lectures 1-12	F Exam Period

Time Zone

All times posted will be in local Toronto time. If you are in a different time zone, please make sure you are aware of Toronto time in relation to your timezone. Errors in calculations are not an acceptable reason to miss deadlines.

Acknowledgements

I benefit much from the help from Prof Jordi Mondria, who taught this course before. I sincerely thank him.

Diversity and Inclusivity Statement

I consider this classroom to be a place where you will be treated with respect, and I welcome individuals of all ages, backgrounds, beliefs, ethnicities, genders, gender identities, gender expressions, national origins, religious affiliations, sexual orientations, ability - and other visible and non-visible differences. All members of this class are expected to contribute to a respectful, welcoming and inclusive environment for every other member of the class. When sending any communication or participating in discussions, remember that there are real people with feelings on the receiving end. Be kind and treat people the way you would like to be treated.