McMaster University
Department of Economics

Economics 3H03 · **International Monetary Economics**
Winter 2016

Instructor: César Sosa-Padilla
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Office hours: T (11:30 - 12:30) and Th (10:30 - 11:30)
Homepage: https://sites.google.com/site/cesarsosapadilla/

Class: M (9:30-10:20), Tu (10:30-11:20) , Th (9:30-10:20)
Room: CNH B107

Teaching Assistant:

The TA for the course is Muhebullah Karimzada. His email is karimzm@mcmaster.ca. His office hours will be announced soon and the information will be posted on Avenue.

Course Description

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, 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 current account deficits 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 nations employment, wage and economic performance.

Course Content

1. The Global Macroeconomy (chapter 1)

2. Introduction to Exchange Rates and Foreign Exchange Market (chapter 2)

3. Exchange Rates I: The Monetary Approach in the Long Run (chapter 3)

4. Exchange Rates II: The Asset Approach in the Short Run (chapter 4)

5. National and International Accounts: Income, Wealth and Balance of Payments (chapter 5)

6. Balance of Payments I: Gains from Globalization (chapter 6)

7. Balance of Payments II: Output, Exchange Rates and Macro Policies in the Short Run (chapter 7)

8. Fixed vs. Floating: International Monetary Experience (chapter 8)

9. Exchange Rate Crises (chapter 9)

10. The Euro (chapter 10)

11. Topics in International Macroeconomics (chapter 11)

12. More on Debt Crises (time permitting):

    (a) History of Sovereign Defaults

    (b) Theories of Default

    (c) Consequences of a Default

    (d) Domestic Debt

Required Course Material

- Feenstra, Robert C.; Taylor, Alan M. "International Macroeconomics" 2nd edition, Worth Publishers, 2011. *Note: A newer version is available and it is 100% compatible with the course.*

- The McMaster University standard calculator (the Casio FX-991) only is permitted for the tests and the final exam.

Course web site

In this course we will be using Avenue to Learn. Students should be aware that, when they access the electronic components of this course, private information such as first and last names, usernames for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in this course will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure please discuss this with the course instructor.

Here are some of the items you will find on the course web page:

- Office hours of the instructor and teaching assistant(s)

- Slides

- Problem Sets and Additional Exercises

- Solutions of selected problems in the textbook

- Some handouts/lecture notes

- Grades

Assessment and Grading Scheme

1. Your final grade (FG) will depend on your performance on the following assesments: two problem sets (PS), two midterm exams (ME), and a final exam (FE).

2. PS_1 is due on **Thursday February 4th**. PS_2 is due on **Thursday March 17th**. Both problem sets should be handed out to the T.A. at the beginning of the class. They are individual.

3. The ME_1 is scheduled for **Thursday February 11th 9:30-10:20** and ME_2 is scheduled for **Thursday March 24th 9:30-10:20**. Locations to be determined.

4. The date for the final exam (FE) is still to be determined by the University and will be announced to you as soon as it becomes public.

5. All midterms and final exams are **individual and closed-book**.

6. Your grade for the course will be calculated as follows:

$$FG = 0.10 * \max\{\max\{PS\_1, PS\_2\}, FE\} + 0.30 * \max\{ME\_1, FE\} + 0.30 * \max\{ME\_2, FE\} + 0.30 * FE$$

7. There will be <u>no makeup problem sets or makeup exams</u>.

8. There will be <u>no extensions of deadlines nor opportunities for bonus points</u>.

9. MSFAs: students that miss an assessment (and can provide the appropriate documentation) will have the weight transferred to the final exam (FE). Therefore, there is no "gain" in using MSAFs for this course.

10. It is mandatory that students bring their <u>McMaster student ID card</u> to the midterm and the final exams.

11. A student who does not respect the <u>time limits during a test</u> will get a 10% penalty on that test.

12. Method of evaluation for midterm and final exams: short-answer questions, numerical calculations, mathematical derivations, true-false, multiple choice, and fill-in-the-blank questions

13. Method of evaluation for problem sets: primarily true-false, multiple choice, and fill-in-the-blank questions; secondarily: numerical calculations.

14. Tests will be marked by the TA according to my instructions. If you want clarifications about the marking of a test or assignment please contact the TA first and then contact me if you were unable to resolve your problem with him/her. Marking guidelines provided to the TA will be posted on Avenue to Learn.

15. Your grades on problem sets and exams will be posted on Avenue to Learn. Please immediately report to the instructor any discrepancy between the posted and actual grades.

Contacting the Instructor

My office hours are listed on page 1. Please feel free to come to my office at those times to seek help or to discuss matters related to the course. Please note that there is no guarantee I will be available to assist you (even if I am in my office) if you drop by at random times outside of my designated office hours.

If my scheduled office hours and those of the TA conflict with your schedule, you can request an appointment with me via email at `cesarsp@mcmaster.ca`. Please insure that your email has subject line starting with "ECON 3H03," this will minimize the risk of your email being overlooked or perceived as spam. The email tool in Avenue to Learn is not great so I rarely use it.

Please note that a **policy of the Faculty of Social Sciences** which came into effect September 1, 2010 states "all e-mail communication sent from students to instructors (including TAs), and from students to staff, must originate from the student's own McMaster University e-mail account. This policy protects confidentiality and confirms the identity of the student. It is the student's responsibility to ensure that communication is sent to the university from a McMaster account. If an instructor becomes aware that a communication has come from an alternate address, the instructor may not reply at his or her discretion."

Guidelines and Expectations

Students are expected to come to class and to participate in various ways to the lectures, either by asking questions, by pointing out errors on the slides or by answering the questions I will ask during the lectures. While I will try my best to

post on Avenue to Learn announcements made in class, there might be a lag in posting the information or I may inadvertently forget to post something. The instructor takes no responsibility for any adverse effects students may experience as a result of his omission to post on Avenue to Learn an announcement made in class.

Most of the time I will deliver my lectures using slides. The slides will be distributed through Avenue to Learn, after classes. Occasionally, I will use the blackboard/whiteboard to cover additional material. The slides are not lecture notes. They are mainly providing outlines of what will be discussed in class. I will set the lecturing pace based on the assumption that you have copies of the slides with you in class.

A reading schedule is posted on Avenue to Learn. Students are assumed to have read the material ahead of the lectures. Students should NOT expect me to talk about every single textbook page. The lectures will focus on the most important and challenging parts of the material. More basic material will be left for the students to study on their own. I will refer to this more basic material in the lectures, hence the need to read ahead to understand the lectures.

Topics covered in the textbook which students are not responsible for will be posted on Avenue to Learn.

Academic Dishonesty

You are expected to exhibit honesty and use ethical behavior in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behavior can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at http://www.mcmaster.ca/academicintegrity The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.

2. Improper collaboration in group work.

3. Copying or using unauthorized aids in tests and examinations.

At certain points in the course it may make good sense to modify the course content described on pages 1 and 2. The instructor reserves the right to modify elements of the course and will notify students accordingly (in class and post any changes to Avenue to Learn).

January 23, 2016