



Department of Economics and Finance

ECON*3860
International Finance
Fall 2013

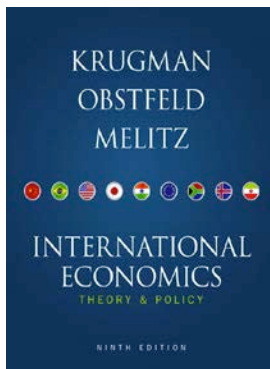


Chris McKenna: MACK 704, ext 53274
Email: cmckenna@uoguelph.ca
Class: T, Th, 16:00 – 17:20, MACK 115
Office hours: T, Th, 14:00 – 15:30, or by appointment.

Course outline

Description: The course is concerned with the macroeconomic implications of international finance. This includes the determination of exchange rates and their effects on domestic macroeconomic policy with respect to national income, employment, inflation, monetary control and interest rates.

Main text: P. Krugman, M. Obstfeld and M. Melitz *International Economics*, 9th edition. Pearson [KO]



This book has a significant web support (*myeconlab*), access to which is included in the price of a new book. However, the course does not rely on the web component, so that students buying a used copy are not disadvantaged. (Students using used copies may purchase web access through the publisher's website, if they want.)

On-line resources: I will be posting all course material, including lecture PPTs, on Courselink.

Evaluation:

Midterm (30%): is scheduled for **Tuesday, October 22 (30%)**.

Essay (30%): The essay will be a homework assignment and will be due by **Friday November 1 16:00** (paper or email submission). Further information about the essay will be given later. You will have three weeks to write the essay and there will be no extensions. In addition, there will be weekly, ungraded exercises to help you study and prepare for the midterm and final examinations.

Final examination (40%): **December 2, 2013** from 11:30-1:30 pm. You will have three weeks to write the essay and there will be no extensions. In addition, there will be weekly, ungraded exercises to help you study and prepare for the midterm and final examinations.

Feedback: You will be asked to complete an evaluation of this course at some time during the last two weeks of the semester. The Department of Economics and Finance policy regarding the conduct and use of these evaluations will be found at:

<http://www.uoguelph.ca/economics/academics/courses/course-evaluation>

Student responsibilities: You should be aware of your responsibilities regarding University policies on academic misconduct, drop dates, email communication and course requirements. You are advised to visit:

<http://www.uoguelph.ca/economics/node/1115>

Class etiquette and communication protocol

Out of respect for your classmates, and me do not use cell phones for any form of communication during class. You are welcome to use laptops or tablets to take notes.

I receive a large number of emails each day. Please put the course number in the subject line and restrict your email questions to ones requiring only short answers. I will not be able to answer technical questions by email – it takes too long. Email is by far the best way to contact me, and I can generally get back to you within two hours.

Course content

(Timing is approximate.)

- Week 0 First class meeting, 5 September: Course overview.
- Week 1: Introduction. Key concepts and the Canadian context. KO Ch 1
 Overview of the determinants of international trade. KO Chs 2 – 6.
- Week 2: The balance of payments. KO Ch 13.
- Week 3: Money, asset markets and exchange rates. KO Ch 14.
- Week 4, 5, 6: Exchange rates in the long-run and the short-run. KO Chs 15 – 17.
- Week 7 & 8: Exchange rate policy? KO Ch18.
- Week 9 & 10: Macroeconomic policy under floating exchange rates. KO Ch 19.
- Week 11: Optimal currency areas. KO Ch 20.
- Week 12: Global capital markets. KO Ch 21.

The Department of Economics and Finance *Learning Objectives (skills and knowledge competencies)* for this course:

Skills:

- a) ***Written communication***—the essay (30%) will provide an opportunity to demonstrate written communication skills. It will be graded with the usual essay writing criteria including the requirement of a bibliography.
- b) ***Numerical problem solving***—calculation of exchange rates and relative prices using standard definitions.
- c) ***Analytical Problem solving in a real world context***—***apply*** appropriately mathematical, logical and diagrammatic methods to study a variety of contemporary real-world issues including the on-going crisis in the Eurozone.
- d) ***Understand*** the purpose and role of supra-national and national institutions in international capital markets.

Knowledge:

- a) ***Microeconomic modelling***: ***Apply*** standard models of risk in models of portfolio selection.
- b) ***Macroeconomic modelling***: ***Analyse***, using standard macroeconomic methods, the interplay between interest rates, prices, and exchange rates.
- c) ***Specific markets***: ***Understand*** the institutions and workings of the money, bond, and capital markets.
- d) ***Economic Policy***: ***Understand*** the role of central banks, and instruments of sovereign government policy in the determination of international capital movements and currency crises.

CJMcK/3860/F13