



General Course Information

Instructor: Mei Li

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Office Location MacKinnon 745

Office Hours Tuesdays and Thursdays, 5:30PM – 6:30PM

Department/School Economics & Finance

TA's

Information about the TAs will be given on courselink during the first two weeks of class.

Class Schedule: Lectures: Tuesday & Thursday, 04:00PM - 05:20PM
[MCKN](#), Room 115

Pre-requisites: [ECON*2410](#), ([ECON*2560](#) or [ECON*3560](#))

Course Description

This course aims to help student understand how the transactions of an economy with the rest of the world will affect an economy at the aggregate level. We will cover several important topics in international finance, such as the balance of payments, exchange rate determination, alternative exchange rate regimes and the associated exchange rate policies; and monetary and fiscal policies in an open economy. Various economic models such as models of exchange rate determination and the Keynesian model in an open economy will be introduced.

Indicative Content

1. Course overview.
2. National income accounting and the balance of payments. KOM Chapter 13.
3. Exchange rates and the foreign exchange market: an asset approach. KOM Chapter 14.
4. Money, interest rates, and exchange rates. KOM Chapter 15.
5. Price levels and the exchange rate in the long run. KOM Chapter16.
6. Output and the exchange rate in the short run. KOM Chapter 17.
7. Fixed exchange rates and foreign exchange intervention. KOM Chapter 18.
8. International monetary systems: an historical overview. KOM Chapter 19.

Course Assessment

			Due Date/ location
Assessment 1:	20%	Mid-term Exam 1	Oct 6, 2015, in class
Assessment 2:	20%	Mid-term Exam 2	Nov 3, 2015, in class
Assessment 3:	20%	Individual Essay	Dec 3, 2015, in class
Assessment 4:	40%	Final Exam	07:00PM - 09:00PM, 2015/12/09, Room TBA
Total	100%		

I will give ungraded assignments on courselink every week to help you understand the course materials and prepare for exams.

You will have a make-up exam for Midterm 1 if you miss it for legitimate reasons with appropriate documentation. You will NOT have a make-up exam for Midterm 2. Your weight on midterm 2 will be shifted to your final exam if you miss it.

The individual essay will be a Canadian exchange rate forecast report. Detailed instructions on this forecast report are provided at the end of the course outline.

Teaching and Learning Practices

Lectures Power point slides will be used in class. Students are encouraged to ask questions in class.

Course Resources

Required Texts:

International Economics: Theory and Policy, 10th edition
Authors: P. Krugman, M. Obstfeld and M. Melitz

This book is available at the reserve desk of the library. MyEconLab will NOT be required in this course.

CourseLink (D2L):

Courselink will be used extensively in this course. Please check the courselink regularly to keep yourself posted. On the **home page**, you will find all the important information about this course, such as your TAs and office hours, the reminders of the coming exams, and the availability of the

ungraded assignments. In the section of **Content**, you will find the course outline, ungraded assignments and links to materials that are related to the course. In the section of **Grades**, you will find your grades for the midterm exams and the forecast report.

Course Policies

Grading Policies

<https://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-grds-proc.shtml>

Course Policy regarding use of electronic devices and recording of lectures

Electronic recording of classes or the use of cameras (including cell phones and iPads) in class is expressly forbidden without consent of the instructor. When recordings are permitted they are solely for the use of the authorized student and may not be reproduced, or transmitted to others, without the express written consent of the instructor.

University Policies

Academic Consideration

When you find yourself unable to meet an in-course requirement because of illness or compassionate reasons, please advise the course instructor in writing, with your name, id#, and e-mail contact. See the academic calendar for information on regulations and procedures for

Academic

Consideration:

<http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-ac.shtml>

Academic Misconduct

The University of Guelph is committed to upholding the highest standards of academic integrity and it is the responsibility of all members of the University community, faculty, staff, and students to be aware of what constitutes academic misconduct and to do as much as possible to prevent academic offences from occurring.

University of Guelph students have the responsibility of abiding by the University's policy on academic misconduct regardless of their location of study; faculty, staff and students have the responsibility of supporting an environment that discourages misconduct. Students need to remain aware that instructors have access to and the right to use electronic and other means of detection. Please note: Whether or not a student intended to commit academic misconduct is not relevant for a finding of guilt. Hurried or careless submission of assignments does not excuse students from responsibility for verifying the academic integrity of their work before submitting it. Students who are in any doubt as to whether an action on their part could be construed as an academic offence should consult with a faculty member or faculty advisor.

The Academic Misconduct Policy is detailed in the Undergraduate Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/2015-2016/>

Accessibility

The University of Guelph is committed to creating a barrier-free environment. Providing services for students is a shared responsibility among students, faculty and administrators. This relationship is based on respect of individual rights, the dignity of the individual and the University community's shared commitment to an open and supportive learning environment. Students requiring service or

accommodation, whether due to an identified, ongoing disability or a short-term disability should contact the Centre for Students with Disabilities as soon as possible.

For more information, contact CSD at 519-824-4120 ext. 56208 or email csd@uoguelph.ca or see the website: <http://www.uoguelph.ca/csd/>

Course Evaluation Information

Please refer to the <https://www.uoguelph.ca/economics/course-evaluation>

Drop date

The last date to drop one-semester courses, without academic penalty, is Nov, 6th, 2015. For regulations and procedures for Dropping Courses, see the Academic Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/current/>

Course Learning Outcomes

Knowledge

1) Written Communication: Students are required to write a Canadian exchange rate forecast report. In this report, students are asked to forecast the Canadian exchange rate in 2016, based on their understanding of course materials about exchange rate determination.

2) Numerical and Analytical Problem Solving: Students are required to study a series of economic models that are essentially math problems. Students are required to learn how to solve the models, derive the solutions, and illustrate the solutions in graphs. This ability will be assessed in mid-term and final exams.

3) Problem Solving in a Real World Context: The forecast report asks students to forecast Canadian exchange rate in 2016 by applying the theories on exchange rate determination covered in this course.

Understanding

1) Economic Modeling: Several economic models, such as the Uncovered Interest Parity model, the Purchasing Power Parity model, and the Keynesian model in an open economy, will be introduced.

2) Understanding of Specific Markets: Students will understand how the foreign exchange market and money market work.

3) Historical and Global Context: We will introduce the development of the international monetary system over time.

4) Economic Policy and Regulations: We will examine the exchange rate policy. Monetary and fiscal policies in an open economy will also be studied.

Instructions on a forecast report on the Canadian exchange rate against US dollars *in 2016*

Exchange rate determination is one of the most important topics in International Finance. This report asks you to apply the theories on exchange rate determination covered in class to understanding how the Canadian exchange rate is determined.

The most important thing I am looking for in this report is that your report indicates that you understand course materials and know how to apply them to the exchange rate determination in the real world. As long as you show this in your report, I will deem your report satisfactory.

You will be asked to forecast the average level of the Canadian exchange rate against US dollars in 2016. Your forecast must be based on exchange rate determination theories covered in class. In your report, you should include but not necessarily be limited to the following steps:

First, state explicitly your forecast about the average level of the Canadian exchange rate against US dollars in 2016. A specific number is not necessary. But you must indicate if it will appreciate, depreciate or remain the same compared to the current exchange rate level when the report is written.

Second, justify your forecast based on the theories covered in class. You will find that according to the theories, the Canadian exchange rate against US dollars depends crucially on several macroeconomic variables such as interest rates, inflation rates, and current account balances in both Canada and US. Thus your justification should include but not necessarily be limited to the following steps:

First, choose the key Canadian and US macroeconomic variables that will affect the Canadian exchange rate against US dollars and explain why. (You will need to use the theories on exchange rate determination covered in class to justify your choices.)

Second, you need to forecast the changes in these Canadian and US macroeconomic variables in the future.

Third, connect the changes in these variables to the changes in the exchange rate and forecast the average Canadian exchange rate against US dollars in 2016.

What you are required to do in this report is essentially an exchange rate forecast exercise based on the fundamental analysis. There exist many alternative methodologies for exchange rate forecasts such as the technical analysis. The fundamental analysis must be included in this report. You are welcome to add alternative analyses to complement your report.

The report should be double-spaced and 10 pages maximum.