

Huron University College
Economics 3370
International Finance

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Office: A8
Office Hours Thursday 2:30- 3:30

Winter 2019

Course description.

This is a course in open economy macroeconomics that focuses on international monetary economics. The course will examine how exchange rates are determined using the monetary approach for long run determination and the asset approach for short run determination.

In addition the course will cover fixed and flexible exchange rate regimes and their implications for macroeconomic policy.

The global capital market and its role in international investment will also make up a significant portion of the course.

Further discussion on a variety of current international finance issues will be undertaken.

Topics may include optimum currency areas, the on shore versus off shore Renminbi, debt crises and external imbalances and adjustment.

Course Materials.

The course has a main text: . Feenstra Robert C. and Alan M. Taylor, *International Economics* Worth 2015. (Referred to as FT)

Supplementary text Uribe, Martin and Stephanie Schmitt-Grohe, *International Macroeconomics* Columbia University 2016. (Referred to as USG)

I will also maintain an OWL site that will be used to post course material as well as any housekeeping details pertinent to the course. All material posted on the website is subject to examination on tests and exams.

Course Objectives

- Students will gain an understanding of the workings of foreign exchange markets.
- Students will be able to read and evaluate policy statements that may affect the flow of capital around the world
- For students considering a career in banking or financial management, this course will provide an introduction to the mechanics of international finance.
- Students will be able to critically analyze the importance of open capital markets to economic growth.

Attendance.

All students are required to attend class. Material covered in class may serve as the basis for exam questions. Often the material covered in class is not covered in the text nor is it posted on OWL.

Assessment.

Midterm I	25%
Midterm II.....	25%
Exchange rate project.....	10%
Seminar.....	30%
Participation	10%

Important Dates (Tentative)

Midterm I	February 4 in class
Midterm II.....	March 18 in class
Exchange rate presentations.....	March 20, 22...
Seminars.....	March 27, 29, April 3, 5

The seminar consists of selecting, summarizing and reporting on a journal article. The rationale for the assignment is to provide experience in reading professional/ academic articles in international finance. This is a skill that is essential for graduate study or for a professional career.

The seminar consists of two parts. The first part is a written submission containing a summary of the article, explaining its salient points. The second part consists of presenting the summarized version to the class

You may work as a team . Your choice of article must come from a **mainstream professional journal or from a handbook** or other source of collected works.

Your choice of article must be approved by the instructor. **Failure to get approval may result in the assignment not being accepted.**

Course Outline. This is a TENTATIVE outline. Topics may be deleted from this list or taken up in a different sequence. Additional topics may be added as the course progresses. It is the sole responsibility of the student to remain abreast of any changes at all times. Changes will be announced in class.

Introduction to Exchange Rates and the Foreign Exchange Market.....	FT Ch. 2
Exchange Rates I: The Monetary Approach in the Long Run.....	FT Ch. 3
Exchange Rates II: The Asset Approach in the Short Run.....	FT .Ch. 4
Income, Wealth, and the Balance of Payments.....	FT Ch. 5
The Gains from Financial Globalization.....	FT Ch. 6
A Theory of Current Account Sustainability	USG Ch.2
Current Account Determination in a Production Economy.....	USG Ch. 3,4
External Adjustment in Small and Large Economies.....	USG Ch. 6
International Capital Market Integration.....	USG Ch. 8
Determinants of the Real Exchange Rate.....	USG Ch. 9
Changes in Aggregate Spending and the Real Exchange Rate: The TNT Model.....	USG Ch.10
Monetary Policy and Nominal Exchange Rate Determination	USG Ch.13
Output, Exchange Rates, and Macroeconomic Policies.....	FT Ch. 7
Fixed Versus Floating: International Monetary Experience.....	FT Ch. 8,
Topics in International Macroeconomics.....	FT Ch. 10, 11 USG Ch.12

Please note – there are no makeups given for missed class tests for any reason whatsoever.

To receive accommodation for a missed test the student must contact the counseling office.

If proper procedures have been followed and relief for a missed test has been granted by the counseling office then the marks for the missed test will be reallocated.

To repeat: You must obtain accommodation for missed tests from the counseling office. A written memo from the counselor is then to be presented to the instructor. The instructor will not arbitrarily grant accommodation for missed tests.

Photography in Class – Please do not use smart phones to take pictures of slides or other material during class.