

**Faculty of Science Course Syllabus
Department of Economics
International Finance, ECON 3331
Winter 2019**

Instructor:

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Teaching Assistant:

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Timetable:

Lecture Hours:

- Monday and Wednesday, 10.05-11.25 , Killam Library 2616

Office Hours:

- Instructor: Tuesday, 09.00-11.00 (or by appointment)
- TA: Wednesday, 15.00-16.30

Course Description:

This course covers the theory and empirics of international macroeconomics. It examines the determination of exchange rates, international capital flows, and risk; the effectiveness of fiscal and monetary policy in an open economy; modern international policy coordination; and the determination of the current account and net foreign assets.

Course Prerequisites:

ECON2201.

NOTE: All Economics courses, unless stated otherwise, have a minimum grade requirement of C for their prerequisite courses.

Course Objectives:

This course examines the financial side of international trade. The focus is on exchange rates, the balance of international payments, alternative means of adjustment to shocks in the international economy, and international monetary arrangements.

Learning Outcomes and competences:

After the students have completed the course would be able to

- define the concepts of the current account balance, balance of payments, and the national income accounting of open economies,
- describe the structure and functions of the foreign exchange market,
- apply the interest parity condition to find equilibrium exchange rates,
- describe and discuss the national money markets, and their relation to foreign exchange market,
- outline the relationship between the short-run and the long-run effects of monetary policy, and explain the concept of short-run exchange rate overshooting,
- explain the purchasing power parity theory of exchange rates and the theory's relationship to international goods-market integration,

- discuss the concept of the real exchange rate, and explain the relationship between international real interest rate differences and expected changes in real exchange rates,
- explain the relationship among macroeconomic policies, current account, and exchange rate,
- understand and describe the role of a central bank in the foreign exchange market,
- discuss the causes and effects of balance of payments crises,
- describe the different foreign exchange rate systems over time: the international gold standard prior to World War I, the post–World War II Bretton Woods system and its collapse in 1973,
- reflect upon the theory of optimal currency areas and monetary unions, and identify the restrictions posed on monetary and fiscal policies,
- describe the historical process of the introduction of Euro, and the specific monetary and fiscal policies observed,
- understand the economic function of international portfolio diversification,
- analyze problems in the regulation and supervision of international banks and nonbank financial institutions to understand the factors leading to the worldwide financial crisis that started in 2007,
- explain the position of developing countries in the world capital market and the problem of default by developing borrowers.
- recount the recent history of developing-country currency crises and financial crises.

Material:

- Required Textbook:
 - + Krugman P., M. Obstfeld, and M.J. Melitz, *International Economics: Theory and Policy*, 10th edition, Pearson. Chapters 1-12. (Required textbook, available in Bookstore)
 - + (alternatively) MyEconLab with Pearson eText -- Access Card -- for *International Finance: Theory and Policy*, 11/E
 - + (Optional) There is an electronic study guide, *MyEconLab*, which may be useful for extra practice. When you buy a new textbook, the access code to *MyEconLab* is provided. You can also purchase the e-text (with MyEconlab access, or even the MyEconLab access only. The relevant course code is: **ntantamis40464**
- Supplementary Material:
 - + Feenstra R.C, A. M. Taylor. *International Macroeconomics*. Worth Publishers.
 - + Mongelli, Francesco Paolo, (2008). “European Economic and Monetary Integration, and the Optimum Currency Area Theory,” *European Economy - Economic Papers* 302, Directorate General Economic and Monetary Affairs, European Commission
 - + Reinhart C.M., and K.S. Rogoff, *This Time is Different: Eight Centuries of Financial Follies*, 2008, Princeton University Press. Chapter 12
- Articles from periodical editions (*Economist*, *Financial Times*): available via **Brightspace**
- Notes and additional material, as required.

Format:

- Regular in class lectures;
- Problem Sets;
 - Although the problem sets will not count towards your grade, it is in your best interest to familiarize yourself with the concepts given in class by solving the problems.
 - Solutions will be provided.

Assessment:

- Article Summaries: 10% (individual)
- Project: 20% (group work)
 - + 5%: Part 1, Data
 - + 10%: Part 2, Theoretical Analysis and Forecasts.
 - + 5%: Presentation
 - Detailed instructions to be provided in separate documents
- Midterm Exams:
 - + Exam 1 (first 1/3 of the material): 18%
 - + Exam 2 (second 1/3 third of the material): 18%
- Final Exam (comprehensive): 34%

- Notes:
 - Summaries
 - + A number of journal articles, articles from periodical editions, web postings, which are relevant to each topic, will be posted in Brightspace every second week. Students are responsible to provide summaries (in the form of bullet points) for each one of them.
 - Project
 - + Details about the project deliverables and instructions will be provided in separate documents.
 - + The maximum number of students in the group should not exceed four (4). Group members are to be self-selected. If a student does not have a group two weeks after the beginning of the class, she/he will be assigned to the group by the instructor.
 - + Working in groups should involve equal participation from all members. It is assumed that students are mature enough to ensure such an outcome. Nevertheless, if there are serious issues that make the situation unworkable, groups should not hesitate talking to the instructor as soon as possible.
 - Exams
 - + In the event that you are unable to attend a midterm exam, the student must contact the instructor by email prior to the date and time of the exam, and submit a completed Student Declaration of Absence via Brightspace (no medical note is required). The weight of the midterm exam will be added to the final exam.
 - + If a student misses the final exam for a valid reason, as per Section 16.8 of the University Calendar, she/he must notify the instructor immediately. The student will have the opportunity to write up a make-up exam within the next week after the end of the class.
 - + For exams, in addition to normal writing materials you may use a simple non-scientific and non-programmable calculator. Permitted models are available in the university bookstore.
 - + Examinations are “closed book” and materials other than those mentioned should not be used. There is no supplemental privilege in this course.
 - To pass the course, a student must achieve an overall passing grade and a minimum grade of 50% on the final examination, which covers material drawn from the entire course.

Grading scheme:

A+	A	A-	B+	B	B-	C+	C	C-	D	F
90-100	85-89	80-84	77-79	73-76	70-72	65-69	60-64	55-59	50-54	<50

Important Dates (midterm dates are tentative):

- Last Day to Change and Add Classes for registered students: January 18th
- Last Day to Drop without “W”: February 4th
- Last Day to Drop with “W”: March 11th
- Winter study break: February 18th-22nd
- **Project, Part 1:** February 25th
- **Project, Part 2:** March 29th
- **Project, Presentations:** April 1st
- **Midterm Exam no 1:** February 4th (**in class**)
- **Midterm Exam no 2:** March 11th (**in class**)
- **Final Exam:** Regular exam period (April 10th- April 26th)

Course Policies:
Email Policy:

- Weekdays: emails received by 18.00 would be responded by the end of the day. Anything after that hour would be responded in the following day.
- Weekends: emails are to be checked sporadically, thus you should not expect a response within the same day.
- Lengthy questions are easier and preferable to be answered during office hours.
- **Make sure that you have checked the course outline and all material available in Brightspace prior to asking a question.**

Course contents:

Week 1	
January 7 th	<ul style="list-style-type: none"> • Administrative Issues • National Income Accounting and the Balance of Payments (Chapter 13)
Week 2	
January 14 th	<ul style="list-style-type: none"> • Exchange Rates and the Foreign Exchange Market: An Asset Approach (Chapter 14)
Week 3	
January 21 st	<ul style="list-style-type: none"> • Money, Interest Rates, and Exchange Rates (Chapter 15)
Week 4	
January 28 th	<ul style="list-style-type: none"> • Price Level and the Exchange Rate in the Long Run (Chapter 16)
Week 5	
February 4 th February 6 th	<ul style="list-style-type: none"> • Midterm Exam no 1 • Output and the Exchange Rate in the Short Run (Chapter 17)
Week 6	
February 11 th	<ul style="list-style-type: none"> • Output and the Exchange Rate in the Short Run-cont. (Chapter 17) • Fixed Exchange Rates and Foreign Exchange Intervention (Chapter 18)
WINTER STUDY BREAK (February 18th to 22nd)	
Week 7	
February 25 th	<ul style="list-style-type: none"> • Fixed Exchange Rates and Foreign Exchange Intervention-cont. (Chapter 18)
Week 8	
March 4 th	<ul style="list-style-type: none"> • International Monetary Systems (Chapter 19)
Week 9	
March 11 th March 13 th	<ul style="list-style-type: none"> • Midterm Exam no 2 • Financial Globalization: Opportunity and Crisis (Chapter 20)
Week 10	
March 18 th	<ul style="list-style-type: none"> • Financial Globalization: Opportunity and Crisis-cont. (Chapter 20) • Optimum Currency Areas and the European Experience (Chapter 21)
Week 11	
March 25 th	<ul style="list-style-type: none"> • Developing Countries: Growth, Crisis, and Reform (Chapter 22)
Week 12	
April 1 st April 3 rd	<ul style="list-style-type: none"> • Project Presentations • Project Presentations- cont. / Review

University Policies and Statements

This course is governed by the academic rules and regulations set forth in the University Calendar and by Senate

Academic Integrity

At Dalhousie University, we are guided in all of our work by the values of academic integrity: honesty, trust, fairness, responsibility and respect (The Center for Academic Integrity, Duke University, 1999). As a student, you are required to demonstrate these values in all of the work you do. The University provides policies and procedures that every member of the university community is required to follow to ensure academic integrity.

Information: https://www.dal.ca/dept/university_secretariat/academic-integrity.html

Accessibility

The Advising and Access Services Centre is Dalhousie's centre of expertise for student accessibility and accommodation. The advising team works with students who request accommodation as a result of a disability, religious obligation, or any barrier related to any other characteristic protected under Human Rights legislation (Canada and Nova Scotia).

Information: https://www.dal.ca/campus_life/academic-support/accessibility.html

Student Code of Conduct

Everyone at Dalhousie is expected to treat others with dignity and respect. The Code of Student Conduct allows Dalhousie to take disciplinary action if students don't follow this community expectation. When appropriate, violations of the code can be resolved in a reasonable and informal manner—perhaps through a restorative justice process. If an informal resolution can't be reached, or would be inappropriate, procedures exist for formal dispute resolution.

Code: https://www.dal.ca/dept/university_secretariat/policies/student-life/code-of-student-conduct.html

Diversity and Inclusion – Culture of Respect

Every person at Dalhousie has a right to be respected and safe. We believe inclusiveness is fundamental to education. We stand for equality. Dalhousie is strengthened in our diversity. We are a respectful and inclusive community. We are committed to being a place where everyone feels welcome and supported, which is why our Strategic Direction prioritizes fostering a culture of diversity and inclusiveness

Statement: <http://www.dal.ca/cultureofrespect.html>

Recognition of Mi'kmaq Territory

Dalhousie University would like to acknowledge that the University is on Traditional Mi'kmaq Territory. The Elders in Residence program provides students with access to First Nations elders for guidance, counsel and support. Visit or e-mail the Indigenous Student Centre (1321 Edward St) (elders@dal.ca).

Information: https://www.dal.ca/campus_life/communities/indigenous.html

Important Dates in the Academic Year (including add/drop dates)

https://www.dal.ca/academics/important_dates.html

University Grading Practices

https://www.dal.ca/dept/university_secretariat/policies/academic/grading-practices-policy.html

Missed or Late Academic Requirements due to Student Absence (policy)

https://www.dal.ca/dept/university_secretariat/policies/academic/missed-or-late-academic-requirements-due-to-student-absence.html

Student Resources and Support

Advising

General Advising: https://www.dal.ca/campus_life/academic-support/advising.html

Science Program Advisors: <https://www.dal.ca/faculty/science/current-students/academic-advising.html>

Indigenous Student Centre: https://www.dal.ca/campus_life/communities/indigenous.html

Black Advising Centre: https://www.dal.ca/campus_life/communities/black-student-advising.html

International Centre: https://www.dal.ca/campus_life/international-centre/current-students.html

Academic supports

Library: <https://libraries.dal.ca/>

Writing Centre: https://www.dal.ca/campus_life/academic-support/writing-and-study-skills.html

Studying for Success: https://www.dal.ca/campus_life/academic-support/study-skills-and-tutoring.html

Copyright Office: <https://libraries.dal.ca/services/copyright-office.html>

Fair Dealing Guidelines: <https://libraries.dal.ca/services/copyright-office/fair-dealing.html>

Other supports and services

Student Health & Wellness Centre: https://www.dal.ca/campus_life/health-and-wellness/services-support/student-health-and-wellness.html

Student Advocacy: <https://dsu.ca/dsas>

Ombudsperson: https://www.dal.ca/campus_life/safety-respect/student-rights-and-responsibilities/where-to-get-help/ombudsperson.html

Safety

Research Lab Safety

https://www.dal.ca/content/dam/dalhousie/pdf/dept/safety/lab_policy_manual_2007.pdf

Biosafety: <https://www.dal.ca/dept/safety/programs-services/biosafety.html>

Chemical Safety: <https://www.dal.ca/dept/safety/programs-services/chemical-safety.html>

Radiation Safety: <https://www.dal.ca/dept/safety/programs-services/radiation-safety.html>

Scent-Free Program: <https://www.dal.ca/dept/safety/programs-services/occupational-safety/scent-free.html>

DEPARTMENT OF ECONOMICS STATEMENT ON ACADEMIC INTEGRITY

At Dalhousie University, we respect the values of academic integrity: honesty, trust, fairness, responsibility, and respect. As a student, adherence to the values of academic integrity and related policies is a requirement of being part of the academic community at Dalhousie University.

What does academic integrity mean?

Academic integrity means being honest in the fulfillment of your academic responsibilities, thus establishing mutual trust. Fairness is essential to the interactions of the academic community and is achieved through respect for the opinions and ideas of others. “Violations of intellectual honesty are offensive to the entire academic community, not just to the individual faculty member and students in whose class an offence occurs.”

(<http://academiccalendar.dal.ca/Catalog/ViewCatalog.aspx?pageid=viewcatalog&catalogid=1&chapterid=89&topicgroupid=381&loadusercredits=False>)

How can you achieve academic integrity?

- Make sure you understand Dalhousie’s policies on academic integrity.
- While discussion with your fellow students is valuable, do not submit an assignment or essay that is essentially identical to an assignment or essay submitted by another individual or group.
- In assignments or essays, use an approved method of citation for any material taken directly from an existing source or any material that is a paraphrase of an existing source.
- Do not download the work of another from the Internet and submit it as your own.
- Do not submit work that has been completed through collaboration or previously submitted for another assignment without permission from your instructor.
- Do not have someone else write a test for you, or write a test for someone else.
- During a test, do not talk with other students and do not try to copy the work of another student.

What will happen if an allegation of an academic offence is made against you?

Instructors are required to report any suspected offence. The full process is outlined in the Discipline flow chart (found at <http://academicintegrity.dal.ca>) and includes the following:

- Each Faculty has an Academic Integrity Officer (AIO) who receives allegations from instructors.
- The AIO decides whether to proceed with the allegation and you will be notified of the process.
- If the case proceeds, you will receive a PENDING grade until the matter is resolved.
- If you are found guilty of an academic offence, a penalty will be assigned ranging from a warning to suspension or expulsion from the University and can include a notation on your transcript, failure of the assignment, or failure of the course. All penalties are academic in nature.

Where can you turn for help?

- If you are ever unsure about ANYTHING, contact your instructor.
- See <http://academicintegrity.dal.ca> for links to policies, definitions, online tutorials, and tips on citing and paraphrasing.
- See <http://writingcentre.dal.ca> for assistance with proofreading, writing styles, and citations.
- See <http://libraries.dal.ca/research.html> for a set of research tools including Subject Guides,



Assignment Calculator, and RefWorks.

- See <http://studentservices.dal.ca> for assistance with appeals and discipline procedures.
- See <http://senate.dal.ca> for a list of Academic Integrity Officers, a discipline flow chart, and the Senate Discipline Committee.

The [Policy on Student Submission of Assignments & Use of Originality Checking Software](#) states that “any instructor may require student assignments to be submitted in both written and electronic (computer-readable) form, e.g., a text file or as an email attachment, as defined by the instructor. Use of third-party originality checking software does not preclude instructor use of alternate means to identify lapses in originality and attribution. The results of such assessment may be used as evidence in any disciplinary action taken by the Senate.”