



St. Francis Xavier University

Department of Economics

ECON 366: International Payments and Finance

Instructor: Zeynep Ozkok

Winter 2017

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Classes: Monday 3:45 pm – 5:00 pm and Wednesday 3:45 pm – 5:00 pm

Office Hours: Tuesday 12:00 pm – 3:00 pm, Wednesday 11:00 am – 1:00 pm, Thursday 2:00 pm – 3:00 pm

Description

This is the second part of two half-courses on international economics. This course focuses on the theory and practice of international macroeconomics and examines problems of coordinating macroeconomic policies across countries. The main topics covered are: national income accounting and the balance of payments; exchange rates and the foreign exchange market; the money market and its relation to the interest rates and the exchange rates; exchange interventions; international monetary systems and common currency areas; financial globalization and its effect on countries.

Objectives and Learning Outcomes

The course has three main objectives:

- (1) To learn the most important theoretical topics of international finance and macroeconomics.
- (2) To provide students with basic analytical tools essential for policy making to help them understand a number of relevant current issues; the global financial crisis, the current account deficits of countries, European Monetary Union, and the sovereign debt crisis.
- (3) To prepare students for further study of international economics, and provide a thorough understanding of economic relations across countries.

Prerequisites

ECON 201 and ECON 202.

Textbook

Krugman, Obstfeld and Melitz, *International Finance: Theory and Policy* (10th edition). You can also use Krugman, Obstfeld and Melitz, *International Economics: Theory and Policy* (10th edition).

Evaluation

The course grade is based on problem sets, a mid-term and a final exam as follows:

- Problem Sets (3): 30%
- Mid-term: 30%
- Final exam: 40%

The mid-term exam is scheduled for **March 8**. The final exam, to be scheduled by the examinations office in April, will be cumulative. **No make-up mid-term exams** will be offered. Should a student miss a mid-term for a medical reason, the weight of the mid-term will be added to the final exam. No adjustments regarding the weight of the final exam will be made.

Attendance in class is mandatory and class participation, along with performance on assignments will be used to adjust grades up or down by half a grade level.

Three assignments will be handed out during the course. Problem sets will consist of questions on international finance theory and short essays in applied topics covered in class. The students will be given a week to complete the assignments. The assignments will then be graded and handed back within a week. Answer keys for the problems will be posted on Moodle.

I will also be posting additional readings on Moodle to accompany the topics that we'll be covering in class. I encourage you to follow current international economic issues by reading major newspapers (i.e. The Wall Street Journal, The New York Times, Financial Times, Globe and Mail) or magazines (i.e. The Economist, Time). We will be discussing the relevant economic news in class as well.

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Course Outline

<i>Part I: Exchange Rates and Open-Economy Macroeconomics</i>	<i>Chapter(s)</i>
1. National Income Accounting and the Balance of Payments	13 (2)
2. Exchange Rates and the Foreign Exchange Market (An Asset Approach)	14 (3)
3. Money, Interest Rates and Exchange Rates	15 (4)
4. Price Levels and the Exchange Rate in the Long Run	16 (5)
5. Output and the Exchange Rate in the Short Run	17 (6)
6. Fixed Exchange Rates and Foreign Exchange Intervention	18 (7)
<i>Part II: International Macroeconomic Policy</i>	
1. International Monetary Systems: A Historical Overview	19 (8)
2. Optimum Currency Areas and the European Experience	20 (9)
3. Financial Globalization: Opportunity and Crisis	21 (10)
4. Developing Countries: Growth, Crisis and Reform	22 (11)