



# St. Francis Xavier University

## Department of Economics

### ECON 366: International Payments and Finance

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Winter 2022

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**Classes:** Tuesday 12:45 – 2:00 pm, and Thursday 11:15 – 12:30 pm

**Office Hours:** Wednesday 2:30 – 3:30 pm, and Thursday 9:40 – 10:40 am.

#### 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* (11<sup>th</sup> edition). You can also use Krugman, Obstfeld and Melitz, *International Economics: Theory and Policy* (10<sup>th</sup> edition).

## Evaluation

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

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

Students are expected to attend all lectures. The mid-term exam is scheduled for **March 10**. **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. Students may drop a course, online in Banner, on or before the relevant deadline. The drop date is **March 22, 2022** for second-term, three-credit courses. The final exam, to be scheduled by the examinations office in April 2022, will be cumulative.

Three assignments will be handed out during the course. They will consist of questions on international finance theory and short essays in applied topics covered in class. Students will be given a week to complete the assignments. The assignments will then be graded and handed back within a week. Assignments should be handed in during the start of the lecture in which they are due. Late assignments will not be accepted and will receive a mark of zero. The solutions for the assignments will be posted on Moodle.

I will also be posting additional readings on Moodle to accompany the topics that we will 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.

The office hours for this term will be conducted online, on Blackboard Collaborate. The links for the virtual office hours will be posted on Moodle. Please allow for 5 to 10 minutes for everyone to get on Blackboard Collaborate. Aside from the online office hours, you can also send me questions via email.

Please note that this in-person course will switch to online delivery if circumstances related to Covid-19 require it in the Winter term. Also, note that the materials in this course are designed for use in Econ 366 at StFX University and are the property of the instructor. Copying this material for distribution, online posting, or selling of this material to third parties for distribution without permission is subject to Canadian Copyright Law and is strictly prohibited. Copying this material for distribution (e.g. uploading material to a commercial third-party website) may lead to a charge of misconduct under StFX's

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

### **Important Dates**

**January 31:** Back to in-person classes

**February 9:** April exam schedule is available online

**February 21 - 27:** Winter Study Break

**February 28:** Classes resume after the study break

**March 18:** Winter term midterm grades available on Banner

**March 22:** Last day to drop second-term three-credit courses

**April 14:** Last day of classes for second term