ECON 405B International Monetary Theory and Policy  
CRN 21035

Winter Session: Second Term 2019 01

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Office Hours: TBA  
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Course Material: 405B CourseSpaces

Course Content

Calendar Entry & Pre-requisites:

A study of international macro economics, covering exchange rates, determinants of balance of payments, alternate exchange rate systems, capital mobility, the international monetary system, and open economy macroeconomic policies.

Pre-requisites: ECON 203 and ECON 204; & ECON 345 or ECON 365; & ECON 225 or equivalent

Course Description:

International monetary theory and policy deals with macroeconomic issues in an international context, essentially open economy macroeconomics. Much of the analytical material may be familiar to students from previous courses; the difference is the focus on issues relating to the balance of payments, exchange rates, and the interdependence between economies.

The principal objective of the course is to provide students with an in depth look at the important economic theory and policy issues bearing on the inter-relationships between economies. This will involve mastering basic macroeconomic modelling methods, including treatment of market expectations, and using these methods to analyze macroeconomic behaviour. The emphasis throughout the course will be to use economic theory to provide a structure and framework for understanding macroeconomic data and events.

Textbook

There is no set textbook for this course. Detailed slides, notes, and readings will form the basis of the set material. These will be available on 405B CourseSpaces. In addition, relevant textbooks will be on reserve at McPherson Library.
Grading

The final grade for the course is determined as follows:

Assignments 60%
Final Exam 40%

The grading scale:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Mark Range</th>
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<tbody>
<tr>
<td>A+</td>
<td>90–100</td>
</tr>
<tr>
<td>A</td>
<td>85–89</td>
</tr>
<tr>
<td>A-</td>
<td>80–84</td>
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<tr>
<td>B+</td>
<td>77–79</td>
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<tr>
<td>B</td>
<td>73–76</td>
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<tr>
<td>B-</td>
<td>70–72</td>
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<tr>
<td>C+</td>
<td>65–69</td>
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<tr>
<td>C</td>
<td>60–64</td>
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<tr>
<td>D</td>
<td>50–59</td>
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<tr>
<td>F</td>
<td>0–49</td>
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</tbody>
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Students should review the University’s more detailed summary of grading. Note in particular the requirements for an A+.

Assignments

There are three assignments to be handed in. The assignments will involve the collection, presentation, and assessment of macroeconomic data related to particular issues and, in some instance, the use of economic modelling. The assignments will also include analytical questions related to the course material.

Assignments will be marked on the quality of the response to the questions, clarity of exposition, and quality of presentation. These assignments are lengthy and will require a substantial amount of time and effort. An example of a completed assignment will be available on 405B CourseSpaces.

Students may work individually or in pairs (no larger than two — not negotiable). Assignments must be submitted with a signed cover sheet available from the course web page. Only those students that sign the cover sheet and provide the appropriate information will receive the grade for the assignment.

The assignments are long and time-consuming.

Assignment due dates:

- Assignment 1: 4:00pm, 8 February
- Assignment 2: 4:00pm, 8 March
- Assignment 3: 4:00pm, 5 April

Late assignments will not be accepted. Assignments without proper cover sheet will not be accepted.

Students are not permitted to use professional editing services.

Each assignment is worth equal marks for a total of 60% of your final grade. Failure to submit all three assignments will result in an N grade.

In the event of concerns about contributions to assignments, I reserve the right to examine students in person concerning their understanding of their submitted work and adjust their mark accordingly. See also the remarks below on plagiarism and cheating.
Course Policies

This course adheres to the Undergraduate Course Policies of the Department of Economics. You must read and be familiar with all of these policies. The following policies are explicitly included because of their importance.

**Academic Integrity**

Academic integrity requires commitment to the values of honesty, trust, fairness, respect, and responsibility. Students are expected to observe the same standards of scholarly integrity as their academic and professional counterparts. A student who is found to have engaged in unethical academic behaviour, including the practices described in the Policy on Academic Integrity in the University Calendar, is subject to penalty by the University.

Review What is Plagiarism for the definition of plagiarism.

**University Policy on Human Rights, Equity and Fairness**

The University is committed to promoting, providing and protecting a positive, supportive and safe learning and working environment for all its members. See General University Policies

**Accessibility**

Students with diverse learning styles and needs are welcome in this course. In particular, if you have a disability/health consideration that may require accommodations, you are free to approach me; however, you must register with the Centre for Accessible Learning (CAL) for formal arrangements to be made. The CAL staff are available by appointment to assess specific needs, provide referrals and arrange appropriate accommodations. The sooner you let us know your needs the quicker we can assist you in achieving your learning goals in this course.

**Course Experience Survey (CES)**

I value your feedback on this course — really, I do. Towards the end of term you will have the opportunity to complete a confidential course experience survey (CES) regarding your learning experience. The survey is vital to providing feedback to me regarding the course and my teaching, as well as to help the department improve the overall program for students in the future.

When it is time for you to complete the survey, you will receive an email inviting you to do so. If you do not receive an email invitation, you can go directly to the CES log-in. You will use your UVic NetLink ID to access the survey, which can be completed on your laptop, tablet or mobile device. I will remind you nearer the time, but please be thinking about this important activity, especially the following three questions, during the course.

- What strengths did your instructor demonstrate that helped you learn in this course?
- Please provide specific suggestions as to how the instructor could have helped you learn more effectively.
- Please provide specific suggestions as to how this course could be improved.

**Electronic devices**

This is a small class that I hope will be lively and interactive. That will not be possible if students are accessing electronic devices during lectures. I discourage the use of laptops during the lectures and phones must not be used. The quality of your engagement, which will be limited if you are texting or using electronic devices for non-course related purposes, will influence your overall performance in the class. As a courtesy to your fellow students, to me, and to ensure you perform as well as you can in the class — turn off your phones, bring a notepad, and leave your computers in your bag.
Course Outline

The following outline is tentative, depending upon time.

1. Balance of Payments
2. International Financial Markets — a Macroeconomic Perspective
3. Long-run Models of the Exchange Rate
4. Models of the Open Economy
5. Exchange Rate and Capital Market Policies
6. History of the International Monetary System

Learning Objectives

General
- Foundational knowledge for the discipline
  - e.g. global macroeconomic policy environment
- Analytical reasoning using mathematical modelling
  - e.g. analysis of macroeconomic policy models; general policy modelling principles
- Critical evaluation of existing theoretical methods
  - e.g. analysis of macroeconomic policy models; general policy modelling principles
- Data skills: Collection & presentation of data
  - e.g. Assignments
- Communication skills: Analytical writing
  - e.g. Assignments

Specific Concepts
- Balance of payments
- Global macroeconomic policy environment
- Foreign exchange markets — from a macroeconomic perspective
- International asset (bond) markets — from a macroeconomic perspective
- Fixed and flexible exchange rates
- Monetary policy: choice of exchange rate systems
- Fiscal and monetary policy in the open economy
- Impossible Trinity
- Capital flight & capital controls (tentative)

Specific Models or Modelling Methods
- Purchasing Power Parity
- Uncovered and covered interest rate parity
- Rational expectations
- Monetary model of the exchange rate