

# HURON UNIVERSITY COLLEGE

## Economics 2164B

### International Finance

Room A1. Tuesday 11:30 a.m. to 12:30 p.m. & Thursday 10:30 a.m. to 12:30 p.m.

Dr. D. Williamson  
Office: # A213

January 2009

Office Hours: Tuesdays 4:00 to 5:00 p.m. & Thursdays 4:30 p.m. to 5:30 p.m., and by appointment.

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This half course examines the monetary and financial aspects of trade and investment between nations.

To be eligible to register for this course a student must have taken, and passed, one of the introductory macro-economic courses numbered Economics 2152a/b (formerly Economics 152a/b) or Economics 2220a/b (formerly Economics 220a/b). Antirequisites for this course are Economics 3353a/b and Economics 3370a/b.

There will be two examinations in this course.

The mid-term exam will be held on **Thursday February 26, 2009**, in class time and will account for one half of the overall grade.

The final examination will be on a date set by the Registrar during the final examination period. This exam will count for one half of the overall grade.

Melvin is recommended as your principal text, with Krugman and Obstfeld as a supplementary. Both can be obtained from the U.W.O. Bookstore.

1. Michael Melvin, International Money and Finance, 7<sup>th</sup> edition, Addison-Wesley, 2004.
2. Paul Krugman and Maurice Obstfeld, International Economics, Theory and Policy, 8<sup>th</sup> edition, Addison-Wesley, 2009.

Other books you may find useful for general reference include:

3. Brian Tew, The Evolution of the International Monetary System: 1945-1988, Hutchinson, 1988.
4. Leonard B. Yeager, International Monetary Relations: Theory, History, Policy, Harper and Row.
5. Alan Walters, Sterling in Danger: The Economic Consequences of Pegged Exchange Rates, Fontana/Collins, 1990.

As set out above, there are two exams in this half course. There is no essay and nor will there be other graded assignments.

I am required to advise you of the following:

**Prerequisite Information:**

Students are responsible for ensuring that they have successfully completed all course prerequisites. If you do not have the prerequisites for this course or written special permission from the Dean to enroll in this course, you will be removed from this course and it will be deleted from your record. This decision may not be appealed. You will receive no adjustment to your fees in the event that you are dropped from a course for failing to have the necessary prerequisites.

**Plagiarism:**

Students must write their essays and assignments in their own words. Whenever students take an idea, or a passage from another author, they must acknowledge their debt both by using quotation marks where appropriate and by proper referencing such as footnotes or citations. Plagiarism is a major academic offence. Scholastic offences are taken seriously and students are directed to read the appropriate policy, specifically, the definition of what constitutes a Scholastic Offence, at the following Web site: <http://www.uwo.ca/univsec/handbook/appeals/scholoff.pdf> .

Plagiarism is an academic offence and will be treated as such. Students who are in doubt as to the nature of this offence should consult their instructor, Department Chair or the Dean, as well as the Huron University College Statement on Plagiarism, available at the reference desk in the HUC Library and at <http://www.huronuc.on.ca/pdf/FASSonPlagiarism.pdf> .

In addition, students may seek guidance from a variety of current style manuals available at the Reference Desk in the HUC Library Information about these resources can be found at: [http://www.huronuc.ca/library/research\\_guides\\_and\\_handouts](http://www.huronuc.ca/library/research_guides_and_handouts) .

**Technology:**

An electronic calculator may be used in a mid-term or a final examination provided the electronic instrument used performs calculation functions only. The use of a cell phone, for example, to perform calculations in the examination room is not permitted.

It is not appropriate to use technology (such as, but not limited, to laptops, PDAs, cell phones) in the classroom for non-classroom activities. Such activity is disruptive and is distracting to other students and to the instructor, and can inhibit learning. Students are expected to respect the classroom environment and to refrain from inappropriate use of technology and other electronic devices in class.

**Program & Academic Counselling and Support Services:**

Economics and MOS students registered at Huron who require advice about modules and courses in Economics, Finance and MOS should contact Dr. P. Fulton, Chair of the Department of Economics & Business, Office A108, [fulton@huron.uwo.ca](mailto:fulton@huron.uwo.ca).

Other academic services such as academic counselling, community-based learning, career development, writing services, cross-cultural services, and international opportunities are available

through the Academic Services Centre: West Wing, Huron University College, and [http://www.huronuc.ca/faculty\\_arts\\_social\\_science/academic\\_services\\_centre/](http://www.huronuc.ca/faculty_arts_social_science/academic_services_centre/)

**Absence from an examination for a non-medical reason:**

A student who misses a scheduled mid-term examination or the end of term final examination scheduled by the Registrar's office will receive the grade of zero on that missed examination. If a student misses the mid-term examination the weight on that examination will not be carried over to the final examination and there is no mid-term "make-up" examination date. Should a Huron student seek accommodation for a non-medical absence from an examination, the request for relief with supporting documentation is to be submitted to the Academic Services Centre for consideration. It will be the Dean's office that will determine whether accommodation is warranted. A non-Huron registered student who seeks accommodation for a non-medical absence from an examination is to submit a request for relief with supporting documentation to the Office of the Dean of the Faculty in which they are registered.

**Absence from an examination for a medical reason:**

For work representing 10% or more of the overall grade for the course, a student must present documentation indicating that the student was seriously affected by illness and could not reasonably be expected to meet his/her academic responsibilities. Huron students should take their medical documentation to the Academic Counsellor, Academic Services Centre at Huron University College, together with a Request for Relief specifying the nature of the accommodation requested (additional information on the documentation and the process may be found at [http://www.huronuc.ca/faculty\\_arts\\_social\\_science/academic\\_counselling/](http://www.huronuc.ca/faculty_arts_social_science/academic_counselling/)). Documentation for non-Huron students must be submitted as soon as possible to the student's Faculty Dean's office. The request and documentation will be assessed and appropriate will be determined by the Dean's office in consultation with the instructor(s). Academic accommodation will be granted ONLY where the documentation indicates that the onset, duration and severity of the illness are such that the student could not reasonably be expected to complete his/her academic responsibilities.

The UWO Student Medical Certificate (SMC)

([https://studentservices.uwo.ca/secure/medical\\_document.pdf](https://studentservices.uwo.ca/secure/medical_document.pdf)) and

Request for Relief

(<http://www.huronuc.ca/pdf/AcademicCounsellingRequestforReliefFormMar08.pdf>)

are available at the Student Centre Website (<https://studentservices.uwo.ca/secure/index.cfm>), the Huron University College Academic counselling website

([http://www.huronuc.ca/faculty\\_arts\\_social\\_science/academic\\_services\\_centre/](http://www.huronuc.ca/faculty_arts_social_science/academic_services_centre/)), or from the Academic Services Centre at Huron.

**COURSE OUTLINE**

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|----|--------|--------|--|------------------------|
| 1. | Tu.    | Jan 6  | General Course Introduction                | M Introduction.        |
| 2. | Thurs. | Jan 8  | The Foreign Exchange Market: Introduction. | M Ch.1.                |
| 3. | Tu.    | Jan 13 | The Foreign Exchange Market (cont'd).      | KO pp 317-25.          |
| 4. | Thurs. | Jan 15 | The Balance of Payments                    | M Ch.2; KO pp 301-309. |

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| 5.         | Tu.    | Jan 20 | Foreign Exchange Market Mechanics  | M Ch.4, 5. M pp 95-99.  |
| 6.         | Thurs. | Jan 22 | Foreign Exchange Market Mechanics (cont'd)                                     | KO pp. 325-27, 336-40, 348-50.                                |
| 7.         | Tu.    | Jan 27 | International Investment and Capital Flows                                     | M Ch. 7.  |
| 8.         | Thurs. | Jan 29 | Prices and Exchange Rates: Purchasing Power Parity                             | M Ch.8; KO pp 382-401.  |
| 9.         | Tu.    | Feb 3  | The Elasticities Approach to the Trade Balance                                 | M pp 147-59, KO pp 447-49, 457-9.                             |
| 10.        | Thurs. | Feb 5  | Foreign Income Multipliers and the Absorption Approach                         | M pp 160-1, 267-9. KO pp. 293-301.                            |
| 11.        | Tu.    | Feb 11 | Money and Asset Markets  | M pp. 161-68, 171-193.  |
| 12.        | Thurs. | Feb 12 | Policy Options - An Overview. Internal and External Balance.                   | KO pp. 502-507.   |
| SLACK WEEK |        |        |  |   |
| 13.        | Tu.    | Feb 24 | To be announced.   |   |
| 14.        | Thurs. | Feb 26 | <u>Mid-Term Exam. In Class</u>   |   |
| 15.        | Tu.    | Mar 3  | Internal and External Balance under Fixed and Flexible Exchange Rates          | KO pp. 518-522.   |
| 16.        | Thurs. | Mar 5  | Internal and External Balance under Fixed and Flexible Exchange Rates (cont'd) | KO pp. 518-522.   |
| 17.        | Tu.    | Mar 10 | Internal and External Balance & Exchange Rates (cont'd)                        | KO pp. 518-522.   |
| 18.        | Thurs. | Mar 12 | Monetary and Fiscal Policy under Fixed and Flexible Exchange Rates.            | M. pp. 259-67.  |
| 19.        | Tu.    | Mar 17 | Fixed vs Flexible Exchange Rates   | M pp. 51-4; KO pp. 532-558.                                   |
| 20.        | Thurs. | Mar 19 | The Historical International Monetary System: The Gold Standard                | M pp. 41-4; KO pp. 507-15.                                    |
| 21.        | Tu.    | Mar 24 | Bretton Woods and the IMF  | M pp 44-6; KO pp. 515-518.                                    |
| 22.        | Thurs. | Mar 26 | The International Monetary System: Post Bretton Woods                          | M pp. 46-51; KO pp. 523-528.                                  |
| 23.        | Tu.    | Mar 31 | Currency Boards and Composite Currencies (ECU's and SDR's)                     | M pp. 59-66; KO pp. 646-8.                                    |
| 24.        | Thurs. | Apr 2  | Eurodollars and Eurobonds.<br>Optimal Currency Areas.                          | M pp. 227-241, KO pp. 598-603.<br>M pp. 54-59; KO pp. 565-90. |
| 25.        | Tu.    | Apr 7  | Course Wrap-up.  | .....   |