

**University of Waterloo**  
**Department of Economics – Winter 2016**  
**Econ 332: International Finance (Section 001)**  
**Monday & Wednesday – 10:00-11:20 a.m. – AL 211**

**Instructor and T.A. Information**

Instructor: Zara Liaqat  
Office: Room 162, Hagey Hall  
Office Hours: Monday – 11:30-1:00 p.m.  
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*T.A. Information to be announced in class.*

**Note:**

- (a) When sending an email, “Econ 332” must appear in the subject line and the message must include your full name and student ID number.
- (b) Please use emails for administrative matters only. I will be available during office hours, or by appointment, to discuss course material.

**Course Description**

This course examines the main issues in international finance. Topics include exchange rates and open-economy macroeconomics, and international macroeconomic policy. It builds an integrated model of exchange rate and output determination. Successive chapters construct this model step by step so students acquire a firm grasp of each component. The resultant model presents a unifying framework admitting the variety of exchange rate regimes from pure float to managed float to fixed rates, as well as analyzes both comparative static and dynamic time path results arising from exogenous policy shocks. It discusses international macroeconomic policy and provides historical and institutional background to complement the theoretical presentation. We will also be discussing articles from the popular press.

**Course Goals and Learning Outcomes**

At the end of the course, students should be able to:

- understand the model of exchange rate and output determination
- distinguish floating from fixed exchange rate regimes
- provide an understanding of international macroeconomic policy
- provide historical and institutional background to issues in international finance

**Course Webpage**

This course outline is available at two locations for the duration of the term:

- (a) Department of Economics website <http://economics.uwaterloo.ca/courses>
- (b) LEARN website <http://learn.uwaterloo.ca/> (use WatIAM/Quest username and password)

**Required Text**

Krugman, R. Paul, Maurice Obstfeld & Marc J. Melitz: International Economics: Theory and Policy, 10th Ed., Pearson Wesley Publishers Limited, 2012. [KOM]

*MyEconLab and study guide that accompany this textbook are optional.*

*Other References:* Occasional supplementary readings from the popular press will also be posted.

## Readings Available on LEARN

- Lecture overhead slides and/or additional course material will be posted on the LEARN web site <http://learn.uwaterloo.ca>.
- The LEARN site is down occasionally. Save the course materials to your computer as soon as they are posted. Always be prepared!
- Students writing test and exams are responsible to save course materials on LEARN before the access to their courses is shut off (normally on the first day of classes of the next term).

## Prerequisites

Econ 201 and 202

## Course Requirements and Assessment

The course grade will be based on two midterm exams and a final exam which will be held during the Official Examination Schedule. The rooms assigned for the midterm exams will be announced in class and on LEARN. The breakdown is as follows:

Assessment	Date of Evaluation (if known)	Weighting
Midterm Exam 1	Monday, January 25th, 2016 (In Class)	25%
Midterm Exam 2	Monday, March 7th, 2016 (In Class)	25%
Final Exam (Comprehensive)	TBA	50%
Total		100%

- The date and time for the final exam will be set by the Registrar during the exam period and announced in class and on LEARN.
- Examinations in this course are based on the material contained in the assigned textbook readings and presented as lecture contents. You will be expected to use simple algebra, interpret and manipulate graphs, and think abstractly about issues and policies.
- Attend all the lectures and actively participate in class. Studying just from the lectures slides is not a substitute of attending lectures. Attendance is an important component in ensuring your complete understanding of the material presented. You are responsible for all material presented in the scheduled lecture periods whether you choose to attend lectures or not.
- Read the textbook and other assigned readings and go through your lecture notes. Some of the materials covered during lectures may NOT be available in lecture slides.
- Work out all optional assignments and practice questions in the textbook and on the textbook's website. These are meant for helping you prepare for the exams.

## Electronic Device Policy

- Turn off all cell phone communication devices and put them away for the duration of the lecture.
- Photographic devices are not permitted in class; this is a university regulation.
- Laptop computers may only be used to view lecture material.
- Audio or video recording devices are not permitted in class due to copyright and privacy concerns.

No private conversations in class will be tolerated; in order to maintain a learning environment in this classroom, I expect the highest level of courtesy and professional behaviour from every student.

## Course Outline

### *List of Topics and Chapters*

Chapter 13 National Income Accounting and the Balance of Payments

Chapter 14 Exchange Rates and the Foreign Exchange Market: An Asset Approach

Chapter 15 Money, Interest Rates, and Exchange Rates  
 Chapter 16 Price Levels and the Exchange Rates in the Long Run  
 Chapter 17 Output and Exchange Rate in the Short Run  
 Chapter 18 Fixed Exchange Rates and Foreign Exchange Intervention  
 Chapter 19 The International Monetary System: A Historical Overview  
 Chapter 21 Financial Globalization: Opportunity and Crisis *[if time permits]*

### Tentative Class Schedule

The following schedule is meant as a rough guideline. Short-term goals will be announced regularly.

Week	Topic	Readings Due
1	Course presentation & National Income Accounting and Balance of Payments	Chapter 13 Article: "How to shrink a surplus" & "Why is the euro so strong"
2	Exchange Rates and the Foreign Exchange Market	Chapter 14 Article: "Canadian loonie"
3	Money, Interest Rates, and Exchange Rates	Chapter 15 Article: "South Africa resists interest rate rise"
4	<b>Midterm Exam 1 – (Chapters 13 &amp; 14)</b>	<b>January 25, 2016 Monday – In class exam</b>
4	Money, Interest Rates, and Exchange Rates	Chapter 15 Article: "Inside the Bitcoin economy"
5	Price Levels and the Exchange Rates in the LR	Chapter 16 Article: "The Big Mac index" & "The pain of inflation"
6	Price Levels and the Exchange Rates in the LR	Chapter 16 Article: "The Starbucks index"
7	<b>READING WEEK</b>	
8	Output and Exchange Rate in the Short Run	Chapter 17 Article: "South-East Asian currencies"
9	Output and Exchange Rate in the Short Run	Chapter 17 Article: "Currency war"
10	<b>Midterm Exam 2 – (Chapters 15, 16 &amp; 17)</b>	<b>March 7, 2016 Monday – In class exam</b>
10	Fixed Exchange Rates and Foreign Exchange Intervention	Chapter 18 Article: "Bullion bulls"
11	Fixed Exchange Rates and Foreign Exchange Intervention	Chapter 18 Article: "China's currency"
12	The International Monetary System: A Historical Overview	Chapter 19 Article: "Midnight run"
13	Financial Globalization: Opportunity and Crisis & Review	Chapter 21 Article: "A trio of trilemmas"

## **Examination Policy**

- Failure to write an exam results in a grade of zero. Exceptions will only be made under the most extreme circumstances, with a written note, and according to the policies of the department of economics and faculty of Arts.
- Students must report to me the reasons for not writing an exam prior to the exam date or immediately after the exam for my approval.
- Travel plans are not an acceptable reason for requesting an alternative final exam. See <http://www.registrar.uwaterloo.ca/exams/finalexams.html> for details.

### *Submission of Exam Papers*

Late submission of exam papers is not accepted and missed submissions will receive a zero mark for whatever reason. Exam papers must be submitted in whole and on time in the exam room. Exam papers:

- (a) not submitted on time,
- (b) submitted with missing pages,
- (c) submitted elsewhere, with the exception of students with permission to write in the AS Office,
- (d) not received at all

will receive a grade of zero for whatever reason. It is the responsibility of students to ensure that they write exams in the location, date, and time assigned to their sections. Students writing exams in the wrong section are considered not writing exams at all and will receive a zero mark.

### *Missing a Midterm During the Term*

- Missing a midterm will automatically result in a grade of zero for that midterm. If the illness can be documented with a UW Verification of Illness Form (the only acceptable document), with approval you may transfer the weight of the missed midterm to the final exam. This remedy is a privilege and not a right.
- Students are advised to notify the instructor in person about the missed exam as soon as they feel better. Email notification about the missed exam is not accepted.
- You must write at least one midterm to pass the course.
- Midterms will not be rescheduled under any circumstances.

### *Missing the Final Exam*

- Missing the final exam is a very serious matter which automatically results in a grade of zero for the final exam and possibly a failing grade for the course. Please carefully read the Economics Department policy on deferred final exams for instructions.
- No deferred final exam will be provided for students who missed all the exams (including the final exam) in this course.

## **Institutional-required statements for undergraduate course outlines**

### **Economics Department Deferred Final Exam Policy**

Deferred Final Exam Policy found at: <https://uwaterloo.ca/economics/current-undergraduates/policies-and-resources/deferred-final-exam-policy>.

### **Cross-listed course**

Please note that a cross-listed course will count in all respective averages no matter under which rubric it has been taken. For example, a PHIL/PSCI cross-list will count in a Philosophy major average, even if the course was taken under the Political Science rubric.

## Academic Integrity

**Academic Integrity:** In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility.

**Discipline:** A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to [Policy 71 - Student Discipline](https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-71) (<https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-71>)

**Grievance:** A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read [Policy 70 - Student Petitions and Grievances](https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-70) (<https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-70>), Section 4.

**Appeals:** A student may appeal the finding and/or penalty in a decision made under Policy 70 - Student Petitions and Grievances (other than regarding a petition) or Policy 71 - Student Discipline if a ground for an appeal can be established. Read [Policy 72 - Student Appeals](https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-72) (<https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-72>).

### **Other sources of information for students:**

[Academic Integrity website \(Arts\)](https://uwaterloo.ca/arts/current-undergraduates/student-support/ethical-behaviour)

<https://uwaterloo.ca/arts/current-undergraduates/student-support/ethical-behaviour>

[Academic Integrity Office \(UWaterloo\)](https://uwaterloo.ca/academic-integrity/)

<https://uwaterloo.ca/academic-integrity/>

## Accommodation for Students with Disabilities

**Note for students with disabilities:** The [AccessAbility Services](https://uwaterloo.ca/disability-services) office (<https://uwaterloo.ca/disability-services>), located on the first floor of the Needles Hall extension (NH 1401), collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the AS office at the beginning of each academic term.

## Fee-Arranged Issues

Students are responsible for administrative matters concerning their course registration, including fee arrangements. No make-up work or remedies will be given for losses of access to LEARN and academic consequences arising from administrative issues with the Registrar’s Office.