**Western New England University**

Department of Economics

Spring Semester 2016-2017

EC371: International Monetary Economics

Dr. Karl Petrick kpetrick@wne.edu

Office: Emerson Hall 103

Phone: (413) 782-1601

Office Hours: Tuesday 9:00-12:00, Wednesday 9:00-11:00

**POLICY ON CELLPHONES: Don’t use them: i.e. don’t text, certainly don’t call anyone or answer them during class. You can live without it for an hour and twenty minutes.**

**REQUIRED TEXT:**

Krugman, P., Obstfeld, M., and Melitz, M. (2015) International Economics: Theory and Policy, 10 th edition, Pearson/Addison Wesley

**RECOMMENDED READING:**

**IMF Survey Magazine** is a weekly online magazine from the International Monetary Fund (http://www.imf.org/external/pubs/ft/survey/so/home.aspx)

Reading the newspaper daily also strongly recommended. **The Republican** is okay for coverage of international news, but not great. There are free copies all over campus, so there is no excuse for not reading it though. **The Wall Street Journal** is even more complete in terms of international coverage, as is **The Financial Times** -both are available in the library. **The Economist** is a weekly newspaper that is available in the library.

Lecture material and class handouts: The lecture slides will be posted online. I am always looking for material that will illustrate the topics that we are discussing. If at all possible, I will post online links to this material. If I am unable to do that I will hand out hard copies in class.

**COURSE DESCRIPTION AND CONTENT:**

The world’s economies continue to become increasingly globalized, with fewer and fewer barriers to international trade and financial flows, as well as improved communication technology which provides continuous links between financial sectors around the world. As a result, all finance can be viewed at the international level, as domestic financial markets continue to be internationally integrated, and companies and individuals face remarkably similar issues even though they may be geographically distant from each other.

None-the-less, there are some unique problems that arise from financial and trading relationships between nations. EC371 is one of two courses that the Economics Department offers that investigate these problems in detail. EC372 (International Trade) considers globalized trade for the most part and only briefly discusses finance. You may have already taken that, or you might select it next year. This course will do the opposite: we will concentrate on the issues raised by the increased globalization of finance, and occasionally discuss how this affect trade issues as well. The topics to be studied include: theories of the balance of payments, foreign exchange, issues in international investment, and international banking.

Learning Outcomes:

Upon completion of this course, students will be able to:

* Identify the main aspects of International Monetary Economics
* Apply relevant theory to analyze open-ended questions regarding issues in International Monetary Economics

**COURSE EVALUATION:**

1. Attendance (10%). Attendance will be taken in every class.
2. Homework (30%). There will be 10 homework assignments, in total worth 30% of your overall grade for this class. You are expected to get access to MyEcon Lab, because that is where the homework will be posted. If you bought the book from the bookstore it should have come with MyEconLab access. If you bought the book elsewhere, you can buy stand-alone access to MyEconLab for @ $50 (be careful what you buy-if you already have the book you don’t need to purchase a more expensive option on the Pearson site). You will be told when each one is due, as that depends on how fast we get through each section.
3. Mid-term exam (30%). There will be a mid-term exam covering the first half of the course.

Bring a calculator.

4. Final exam (30%). There will be a final exam covering the second half of the course. This will be held during the final exam period. Format the same as the mid-term exam. Bring a calculator.

**ACADEMIC INTEGRITY:**

It is expected that all written works must be your own. Anything copied from another source without giving credit to the author is considered plagiarism, and will be dealt with accordingly. Your term paper must be properly referenced.

**AMERICANS WITH DISABILITIES:**

The College complies with the Americans with Disabilities Act in making reasonable accommodations for qualified students with disabilities. Students with special needs should contact the office of Dr. Bonnie Alpert in the Students with Disabilities Center.

**EVALUATIONS:**

You will have the opportunity to evaluate this course and me as a professor during the last week of the course.

***TENATIVE COURSE SCHEDULE*:**

**Unit 1: National Income Accounting and the Balance of Payments**

(Ch. 13 in Krugman, et. al.)

**Unit 2: Exchange Rates and the Foreign Exchange Market: An Asset Approach**

(Ch. 14)

**Unit 3: Money, Interest Rates, and Exchange Rates**

(Ch. 15)

**Unit 4: Price Levels and the Exchange Rate in the Long-Run**

(Ch. 16)

**Unit 5: Output and the Exchange Rate in the Short-Run**

(Ch. 17)

**REVIEW AND MIDTERM EXAM**

**Unit 6: Fixed Exchange Rates and the Foreign Exchange rate**

(Ch. 18)

**Unit 7: International Monetary Systems: A Historical Overview**

(Ch. 19)

**Unit 8: Financial Globalization: Opportunity and Crisis**

(Ch. 20)

**Unit 9: Optimal Currency Areas and the European Experience**

(Ch. 21)

**Unit 10: Developing Countries: Growth, Crisis, and Reform**

(Ch. 22)

**Review and Final Exam**

I’ve listed this as units rather than as weeks because how fast we will cover the material will affect when the midsemester is. By my reckoning, it should be in week 6, but that depends in part on how quickly we get through the material.

So I have built some flexibility into the system. We have 15 weeks to cover 10 units and will certainly have time to review for the midsemester and final exams.