

INTERNATIONAL FINANCE ECONOMICS 3353B-001

Department of Economics
Western University

Instructor: Ananth Ramanarayanan, Office: SSC 4054

January, 2017

Class Times: Monday 12:30-2:30 pm and Wednesday, 1:30-2:30 pm, SSC 3006

Office Hours: Monday and Wednesday, 2:30-3:30 pm, or by appointment

Email: aramanar@uwo.ca

Course Website: <https://owl.uwo.ca/portal>

Undergraduate Enquiries: 519-661-3507, SSC room 4075 or econugrd@uwo.ca

Registration

You are responsible for ensuring you are registered in the correct courses. If you are not registered in a course, the Department will not release any of your marks until your registration is corrected. You may check your timetable by using the Login on the Student Center website at <https://student.uwo.ca>. If you notice a problem, please contact your home Faculty Academic Counsellor immediately.

Prerequisite Note

The formal prerequisite for this course is **Economics 2221A/B**. In addition, you should be very comfortable with **calculus, algebra, and geometry**. This course will make heavy use of all these tools.

You are responsible for ensuring that you have successfully completed all course requisites, and that you have not taken an antirequisite course. Lack of prerequisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed.

If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure that spaces become available for students who require the course in question for graduation.

Course Description

This course is an advanced introduction to the study of international macroeconomics and finance. We will develop theoretical models for analyzing determinants of current account deficits, international capital movements, and exchange rates. We will also examine and evaluate changes in global capital market integration over time. These models will be used to

discuss policy issues such as balance-of-payment crises and the debt crises in developing countries and the Euro area.

Course Materials

There is no required text for this course, but some material will closely follow the manuscript by **Schmitt-Grohe, Uribe, and Woodford, "International Macroeconomics,"** which is available on the course website. You are responsible for all material covered in lectures, as well as journal articles and other readings that I make available online. Please note that the material online will not cover everything that we will discuss in class, so it is important that you maintain a full set of notes on in-class material.

Course Evaluation

Your grade in this course will be based upon 4 homework assignments, 2 midterm exams, and a final exam. They will contribute to your final grade as follows:

Homework Assignments:	20%
Midterm Exams	20% each*
Final Exam	40%

Homework Assignments will be posted online, and each one will be due one week after it is posted. Your assignment must be turned in to me by the end of class on the due date. Assignments may not be submitted by email or any other method. Late assignments will not be accepted. **Your highest 3 homework scores will count toward your grade.** I encourage you to discuss the problems and solutions with your classmates, but you must each write up your own individual assignments independently. Identical or essentially identical assignments will receive a grade of zero.

Midterm Exams will be given on Wednesday, February 8 and Wednesday, March 15, during class time. **The Final Exam** will be held at a time and location to be determined by the University Registrar. All exams will be closed-book and closed-notes. The only electronic device you may use during exams is a non-graphing, non-programmable calculator. Graphing/programmable calculators, cell phones, etc. must be kept in your bag. If you have any of these devices out during an exam it will be taken from you and will only be returned once you have turned in the exam.

All exams are **cumulative**, meaning they will cover all material up to that point in the course. There will be **no make-up midterms** given. If you miss a midterm due to illness or other acceptable excuse, the weight of that midterm will be shifted to your final exam. Lack of an acceptable justification for missing an exam will result in a grade of zero for that exam.

* In calculating your grade, if your score on the final exam is higher than either of the midterms, then half the weight of that midterm will be shifted to the final. (That midterm will count for 10% and the final will count for 50%.) This rule is meant to encourage you to improve your grade in case you perform poorly on one of the midterm exams. **This rule only applies if you have taken all three exams.**

If you have a dispute about how an exam or assignment was graded, you can submit it to me within **one week** after the day I return the graded exam or assignment to the class. Your request must be submitted *in writing* and you must explain why you think the grade should be changed. I will re-grade the entire exam / assignment, so your grade may go up or down.

Outline of Topics

This schedule may be adjusted based on time constraints.

Weeks 1-3

- A. Data: Basic Patterns of International Financial Transactions
 - i. Balance of Payments Accounting
 - ii. Global Financial Flows
- B. Current account determination
 - i. 2-period model of the current account in a small open economy
 - ii. Savings and investment in an open economy
 - iii. Responses to external shocks
 - iv. Fiscal deficits and the current account

Week 4-6

- C. Uncertainty and international risk sharing
- D. Financial market integration and market frictions

Weeks 7-9

- E. The allocation of capital across countries
- F. External debt and sovereign default risk

Weeks 9-12

- G. Real exchange rates and the terms of trade
- H. Monetary policy and nominal exchange rate determination

Please Note
Department Policies for 2016 – 2017

Remember that the University expects all students to take responsibility for their own academic Programs. Also remember to check your registration to make sure you are enrolled in the correct courses.

1. Guidelines and policies for the Faculty of Social Science and the Department of Economics are posted online in the current Western Academic Calendar at <http://westerncalendar.uwo.ca>.
2. Students must familiarize themselves with the “Rules of Conduct for Examinations” <http://westerncalendar.uwo.ca/2016/pg136.html>.
3. **Cheating as an academic offence:** Students are responsible for understanding what it means to “cheat”. The Department of Economics treats cheating incidents very seriously and will investigate any suspect behavior. Students found guilty will incur penalties that could include a failing grade or being barred from future registration in other economics courses or programs. The University may impose further penalties such as a notation on your official academic transcript, suspension or expulsion.
4. **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 it by using quotation marks where appropriate and referencing with footnotes or citations. Plagiarism is a major academic offence (see Scholastic Offence Policy in the current UWO Academic Calendar at <http://westerncalendar.uwo.ca/2016/pg113.html>).

The University of Western Ontario uses software to check for plagiarism and students may be required to submit their written work in electronic form. Those found guilty will have penalties imposed as noted in point 3.

5. It is Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students are responsible for submitting assignments in class or to the instructor during office hours.
6. When appealing a mark, students should refer to the University’s Procedures in the current UWO Academic Calendar (<http://westerncalendar.uwo.ca/2016/pg112.html>). Please note the relevant deadlines.

The Department will not consider any appeal unless an attempt has been made to settle the matter first with your instructor. If after this discussion you remain dissatisfied with a grade or other decision, you may proceed with a written appeal (e-mails are not acceptable) to the Undergraduate Director in Economics, stating the reasons for your appeal. A useful form and checklist is provided at (http://economics.uwo.ca/undergraduate/program_counselling/responsibilities_policies.html#appeals).

7. Systematic adjustments of a class grade distribution (either up or down) can occur in Economics courses. The fact that grades have been adjusted is **not** grounds for an appeal.
8. Note the following add and drop deadlines:

Last day to **add** a first term half course:
Friday, January 13th, 2017

Last day to **drop** first term half course without academic penalty:
Tuesday, March 7th, 2017
9. Faculty of Social Science policy states that oversleeping or misreading an exam schedule is not an excuse for a make-up. This rule applies to all mid-term tests and final exams in the Department of Economics.

Policy Regarding Makeup Tests and Final Examinations

*Academic Accommodation will **not** be granted automatically on request. You **must** demonstrate by documentation that there are **compelling** medical or compassionate grounds before academic accommodation will be considered.*

If you decide to write a test or an examination, you must be prepared to accept the mark you earn. Rewriting tests or examinations, or having the value of the test or examination reweighted on a retroactive basis, is **not** permitted. Book airline flights after you know the dates of your final examinations. Airline flights must not conflict with test or final exams.

If you are requesting a makeup test for a midterm or a final examination, unless medically incapable, notify your instructor by email or phone, preferably prior to the scheduled date of the test, but definitely within **24 hours** of the date of the test or exam. Failure to follow this procedure may result in denial of a request for academic accommodation or result in a grade of zero. Set up an appointment as soon as possible to meet personally with your instructor. If the instructor is not available, you may send an email message, copying the Undergraduate Coordinator at econugrd@uwo.ca (Social Science Room 4075). **Notifying your instructor of a missed test or exam does not automatically entitle you to a makeup test.**

Students who seek a makeup test or examination must provide medical or other relevant verification that their absence from a regularly scheduled test or examination is beyond their control. Documentation must support your reasons. Medical documentation should be given to the Academic Counselling Office of your *home* Faculty **as soon as possible (preferably within 24 hours of the test)** if you know you may not be able to write your final examination on the scheduled day and time. Failure to follow this procedure, or to provide supporting documentation, may result in denial of a request for academic accommodation or result in a grade of zero. If your documentation is not acceptable, you will be given a zero for the missed test.

For personal illness, if you consult Student Health Services regarding your illness or personal problem, you should request a Student Medical Certificate from the physician. If you were seen by an off-campus doctor, obtain a certificate from his/her office at the time of your visit. The off-campus medical certificate form must be used and can be found at: http://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf. Notes stating "For Medical Reasons" are not considered sufficient.

For any other circumstances, if you are not sure what documentation to provide, ask your Academic Counselor. If your documentation is judged sufficient, the academic counselor will issue a Recommendation for a Special Examination (a single form for midterms or a triple color form for final examinations). Once you have this form, contact your instructor as soon as possible to make arrangements. Even if approved from your home faculty Academic Counsellor, there is no guarantee that you will be allowed to write the makeup test and exam.

For final examinations, you need permission from your *home* Faculty Counsellor, your instructor, and the Department Undergraduate Director. Failure to follow this procedure may result in an examination grade of zero. You must ensure that the Special Examination form has been signed by the instructor and Department Undergraduate Director and that the form is returned to the Academic Counseling Office for approval without delay. Make-up final examinations, if permitted, will be written within one month of the end of the exam period.

Policies Regarding Academic Accommodation

Information about the Faculty of Social Science's policies regarding academic accommodation is found on its website at <http://counselling.ssc.uwo.ca/procedures/havingproblems.asp> or in Social Science Room 2105. Your "Academic Rights and Responsibilities" are also outlined in the current UWO Calendar at <http://westerncalendar.uwo.ca/2016/pg111.html>. Claiming that "you didn't know what to do" is not an acceptable excuse for not following the stated procedures.

Policy Regarding Class Attendance

If your instructor views your class attendance as unsatisfactory, you can be prohibited from writing the final examination. If there is intent to make use of this University policy, you will be notified in writing.

Statement on Mental Health and Support Services

If you or someone you know is experiencing emotional/mental distress, there are several resources here at Western to assist you. Please visit <http://www.uwo.ca/uwocom/mentalhealth/> for more information and a complete list of resources, as well as how to obtain help.