

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

ECON303

International Money and Finance

Semester 1, Year 2011

Course Convenor: Dr. Ha Vu

Department of Economics

**MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT OUTLINE: ECON303 INTERNATIONAL MONEY AND FINANCE**

Unit Convenor: Dr. Ha Vu

Credit points: 3

Students should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult the unit convenor.

ABOUT THIS UNIT

This unit studies macroeconomic theory and policy in a global context. The evolution of international money and capital markets is described and the operation of the foreign exchange market is examined. The models of open economies are used to understand important issues in international macroeconomics, including: the exchange rate; the current account; international capital mobility; exchange rate regimes; monetary unions. The unit also develops the macroeconomic implications of monetary and fiscal policies for both small and large open economies, and for different monetary regimes.

TEACHING STAFF AND CONSULTATION TIMES

Dr. Ha Vu, Room: E4A 424

Phone: 9850 7444

Email: ha.vu@mq.edu.au

Consultation hours: Tuesday 11am - 1pm

Please restrict consultations to the announced times whenever possible. Students need to contact the staff requesting an appointment for all other times. Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

Email: To maintain students' privacy and confidentiality, students **should only use their Macquarie University email address** to correspond with staff. Emails emanating from other sources may not be responded to. It is essential that you check your university email on a regular basis as this is our primary means to contacting individual students.

CLASSES

Lecture & Tutorial: Monday 2-5pm E5A 107

Lectures will start punctually. Students should arrive on time. Students may ask questions in lectures. However, it is disruptive and discourteous to arrive late or talk during lectures.

Attendance at lectures and tutorials is strongly recommended. Students who miss classes put themselves at a considerable disadvantage for several reasons, including:

1. Not all material in the text is covered in the unit, and not all the unit material is covered in the reference text. In some places the text deals with issues in greater depth than

is necessary for the unit, and in other places it does not go far enough. The lectures contain all the unit material taught at the level that is required for successful completion of tutorial exercises, and they are your guide to the content of the unit.

2. In some of the tutorials you will learn the techniques to solve quantitative problems, while lectures may not deal with these techniques.
3. The lectures will include significant guidance about the style and content of the final exam and recommendations on study techniques.
4. It is difficult and often impossible for me to provide meaningful assistance to students outside class times on topics for which they did not attend the relevant lectures and tutorials.

Class attendance is only one part of university study. In addition to class attendance, students will need to spend around seven hours per week in private study in order to perform well in this unit.

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Recommended Text:

Krugman, P. and M. Obstfeld (2008), *International Economics: Theory and Policy*, 8th ed., Addison-Wesley, Pearson, Boston.

The text is available for purchase at the Co-op Bookshop.

UNIT WEB PAGE

Lecture and tutorial material as well as up to date information concerning any aspect of the unit, including any changes to the schedule, will be available to students by logging on to Blackboard at <http://learn.mq.edu.au>.

LEARNING OBJECTIVES AND OUTCOMES

Subject specific learning outcomes:

- To understand and explain the assumptions and structure of standard theoretical models that form the body of modern international macroeconomics;
- To apply these models and to interpret and analyse real problems in international macroeconomics;
- To understand the associated empirical implications and important policy issues in the global economy.

Generic learning outcomes:

- To be open to new ways of thinking and appreciate the importance of intellectual curiosity and reflection as the foundation for continuous learning.
- To identify, define and analyse problems and recommend creative solutions within real-world constraints.
- To demonstrate a capacity to work independently including the ability to plan and achieve goals.

- To critically evaluate underlying theories, concepts, assumptions, limitations and arguments in disciplinary and cross-disciplinary fields of study.
- To be intellectually ready to participate in public policy discussions arising in business and government environments;
- To manage, analyse, evaluate and use information efficiently and effectively.

TEACHING AND LEARNING STRATEGY

This is *subject to change*.

Week/Date	Topic	Readings
1/ 21 February	1. Introduction: national income and balance of payments, exchange rates, the foreign exchange market, and interest parity.	KO Chs. 1, 12, 13
2/ 28 February	2. Interest rates and exchange rates in monetary equilibrium, PPP, real exchange rate determination.	KO Chs. 14, 15
3/ 7 March	3. The Mundell-Fleming model under flexible exchange rates (AA-DD model), sticky prices.	KO Ch. 16
4/ 14 March	4. Fixed exchange rates and foreign exchange intervention; exchange rate crises.	KO: Ch. 17 * M. Goldstein. 2006. Renminbi Controversies. Peterson Institute for International Economics, <i>Cato Journal</i> , Vol. 26, No. 2 http://www.cato.org/pubs/journal/cj26n2/cj26n2-5.pdf
5/ 21 March	5. The international monetary system before 1973	KO: Ch. 18 * R.N. Cooper. 1982. The Gold Standard: Historical Facts and Future Prospects. Brookings Papers on Economic Activity, Vol. 1982, No. 1, pp. 1-56.
6/ 28 March	6. The mixed exchange rate system since 1973; fixed vs. flexible exchange rates	KO: Ch. 19 * J. Frankel. 1999. No Single Currency Regime is Right for All Countries or At All Times. <i>Essays In International Finance</i> , 205, Princeton http://www.princeton.edu/~ies/IES_Essays/E

		215.pdf * A. R. Ghosh, A. Gulde, H. Wolf. 2000. Currency boards: More than a quick fix? Economic Policy, Vol. 15 (31), pp. 269-335. * R.N. Cooper. 2009. The Future of the Dollar, Institute for International Economics, Policy Brief 09-21. http://www.iie.com/publications/pb/pb09-21.pdf
7/ 4 April	MID-SEMESTER TEST In Class	
8/ No Lecture due to Public Holiday		
9/ 2 May	7. Current account determination in an endowment and a production economy; fiscal deficits.	KO Ch. 16 p 455-456 * Schmitt-Grohe and Uribe: International Macroeconomics Chs 2- 5 http://www.econ.duke.edu/~uribe/econ196s/lecture.pdf
10/ 9 May	8. Global imbalances: do deficits matter? (Part 1)	KO: Ch. 19 (pp. 545-5351) * M. Obstfeld and K. Rogoff. 2009. Global Imbalance and the financial crisis: Products of common causes http://www.econ.berkeley.edu/~obstfeld/santabarbara.pdf * R.N. Cooper. 2006. Living with Global Imbalances: A Contrarian View. Journal of Policy Modeling, Vol. 28, pp. 615-627
11/ 16 May	8. Global imbalances: do deficits matter? (Part 2)	As above
12/ 23 May	9. Optimum Currency Areas; adjustment difficulties in Europe.	KO: Ch. 20 * O. Blanchard. 2007. Adjustment within the Euro. The Difficult Case of Portugal. Portuguese Economic Journal, Vol. 6, No. 1, pp. 1-21 * J. Williamson. 2005. A Currency Basket for East Asia, Not Just China. Institute for International Economics, Policy Brief 05-1 http://www.iie.com/publications/pb/pb05-1.pdf

		* D. Kim and J. Sheen. 2007. Consumption Risk-Sharing within Australia and with New Zealand. Economic Record, Vol. 83, No. 260, pp. 46-59
13/ 30 May	10. Global capital markets; capital controls and regulation. Overview and conclusions.	KO: Ch 21 * D. Rodrik. 1998 Who Needs Capital Account Liberalization? in Peter B. Kenen (ed.), Should the IMF Pursue Capital Account Convertibility? : Princeton University Press (1998). http://ksghome.harvard.edu/~drodrik/essay.PDF * P. Krugman. 1998. An Open Letter To Prime Minister Mahathir and his Slate piece on Capital Control Freaks http://web.mit.edu/krugman/www/mahathir.html * P.B. Henry. 2003. Capital-account liberalization, the cost of capital, and economic growth. American Economic Review. Nashville: May.Vol.93, No. 2, pp 91-96 https://faculty-gsb.stanford.edu/henry/Homepage/PDF/Liberalization.pdf

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

Assessment comes in a variety of forms and wherever possible is used to reflect and enhance the learning and teaching process that occurs in the class room. In this case assessment has been kept as an integral part of the teaching and learning process.

As this unit of study demonstrates, it is clear that no single type of assessment could provide an accurate measurement of learning outcome. Students will be given the best opportunity to demonstrate their understanding of the learning experience. Thus I have decided to use a variety of data gathering methods such as online quizzes, a class room problem solving test, and an end semester closed book examination with a variety of questions - for example, multiple choice, short answer, and numerical problem solving questions.

The format of assessment is designed to quantify the extent to which students have progressed towards desired learning outcomes. The e-learning facilities in the Blackboard will

be used extensively to provide opportunities to students for learning and self assessing the absolute and relative quality of their own work.

Assessment

The components of assessment in this course are as follows:

Online quizzes	15%
Mid Semester Test (04 April 2011)	35%
Final exam	50%

There will be 3 online quizzes in this course.

Quiz	Availability
1	3pm 09 March – 6pm 14 March
2	3pm 30 March – 6pm 04 April
3	3pm 25 May – 6pm 30 May

Compulsory Mid Semester Test and online quizzes

Failure to submit online quizzes or to attend the mid-semester test will result in a mark of **zero**. Students who experience *serious misadventure* and are unable to attend the test should contact the unit convenor and provide full documentation explaining their non-attendance. As a matter of justice to all students, flimsy excuses will be rejected outright. If the documented evidence is accepted, the final exam mark will be converted to a higher percentage of the total marks.

Final Examination

A two hour closed book final examination for this unit will be held at the end of the semester. All course content is examinable.

Students are expected to present themselves for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations. For details check:

<http://www.timetables.mq.edu.au/exam>

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. Information about unavoidable disruption and the special consideration process is available at

<http://www.reg.mq.edu.au/Forms/APSCon.pdf>

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period. You are advised that it is Macquarie University policy not to set early examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester, the final day of the official examination period.

As indicated in the event of documented adverse personal circumstances, such as accident, illness, etc., a supplementary exam **may be** granted. However, when a student has extra time to prepare while suffering only a minor ailment, a higher standard is expected in the deferred exam. Also, students who sit the regular final exam and then request a supplementary exam should know that, if a supplementary exam is granted, his/her performance in the supplementary exam may raise or lower the result obtained in the regular final exam.

ACADEMIC HONESTY

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

GRADES

Please refer to relevant Bachelor Degree rule in the Handbook of Undergraduate Studies.

GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandconomics.mq.edu.au/for/new_and_current_students/undergraduate/admin_central/grade_appeals

SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where

a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at:

http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

STUDENT SUPPORT SERVICES

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at <http://www.student.mq.edu.au>.

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilising University IT facilities. The following regulations apply to the use of computing facilities and online services:

- Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.