ECON 324 International Monetary Relations

Syllabus

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Contents

1	Course Description and Objectives 1.1 Loyola University Chicago Description 1.2 Course Description 1.3 Course Objectives and Learning Outcomes	2 2 2 2				
2	Responsibilities, Expectations, and Advice 2.1 Instructor's Responsibilities 2.2 Student's Responsibilities 2.2.1 Prerequisites 2.2.2 Academic Rigor 2.2.3 Advice	2 2 2 3 3				
3	Course Materials 3.1 Textbook 3.2 Software 3.2.1 Other Useful Software 3.3 Supplementary (Optional) Resources 3.3.1 Books 3.3.2 Periodicals 3.3.3 Online	3 3 3 3 3 4 4				
4	Course Requirements and Grading 4.1 Exams	$f{4}{5}{5}{5}{5}$				
5	Course Policies and Common Sense5.1Email	6 6 6 6 7 7 7 7 7 7 7 7				
6	Loyola University Chicago Policies and Relevant Information6.1Students with Disabilities6.2Academic Calendar	7 7 8				
7	(Tentative) Schedule					
8	Textbook Readings					

Please, read and reference the syllabus. Its main purpose is to give you information about the course so that you do not have to ask me during the semester. Please, do not be scared about the length of the syllabus. I view this document as a contract between you and me. You should consider the syllabus to be the ground rules. "I didn't read the syllabus", and the like, is not an acceptable excuse for missing an exam, assignment, or being unaware of a class/University policy, etc. Any registered student in the course will adhere to and abide by the syllabus without exception.



IT'S IN THE SYLLABUS

This message brought to you by every instructor that ever lived.

Instructor Instructor Email Instructor Website Instructor Office Location Instructor Office Hours Class Location Class Meeting: Days Class Meeting: Time Dennis C. Plott dennis.plott@gmail.com www.dennisplott.com Crown Center, Room 434, Cubicle F Tuesday (4:00 p.m.–5:00 p.m.) Mundelein Center – Room 204 Tuesday and Thursday 2:30 p.m. – 3:45 p.m.

1 Course Description and Objectives

1.1 Loyola University Chicago Description

ECON 324 International Monetary Relations (3 units)

Examination of the operation of the international monetary system and an analysis of the determination of currency flows between countries, with topics of balance of payments statements, currency flows between countries, determination of exchange rates, and international liquidity problems.

Prerequisites: Sophomore standing, minimum grade of "C-" in ECON 201 and 202.

Outcomes: Student will be able to demonstrate an understanding of the operation of the international currency market and be able to analyze exchange rates with an emphasis on international liquidity and currency problems, and risk management of currency fluctuations.

1.2 Course Description

Economists traditionally divide the general field of International Economics into two sub-fields: International Finance and International Trade. In this course we will ignore this division. Thus, in the first part we will analyze the main reasons for why countries trade and the impact of trade on production, prices and welfare. Additional topics include the use of quotas, tariffs and other barriers to trade, trade liberalization reforms and regional trade blocs, and the globalization debate. The second part will deal with the main issues of international finance, including the structure of the balance of payments accounts, exchange rate determination and exchange rate regimes, currency crises, global imbalances, and currency unions such as the European Monetary Union.

1.3 Course Objectives and Learning Outcomes

After taking this course, the students will be able to:

- Identify the main reasons for why trade generates economy-wide welfare gains to the countries that open, while at the same time understand the distributional effects of trade liberalization and participate in the globalization debate.
- Develop a simple model to analyze how exchange rates are determined in the long and short-run and to understand how countries conduct and implement macroeconomic policy when operating in the international economy.

2 Responsibilities, Expectations, and Advice

2.1 Instructor's Responsibilities

As the instructor, my responsibilities are to come to class prepared to teach; to organize and present the material in a manner that facilitates your learning; to respond to and encourage questions; to oversee grading of assignments; to be available during office hours and for scheduled appointments; and to stimulate an enthusiasm for economics and for learning.

2.2 Student's Responsibilities

As a student, your responsibilities are to come to class prepared to learn and to participate in lectures; to complete the assigned readings before class (allowing time to re-read difficult material); to complete all assignments on time; and to take all exams.

2.2.1 Prerequisites

In addition to the Principles requirement, I will assume that you are proficient in basic high school mathematics; i.e., algebra and graphing. That said, there will be a healthy review of essential material.

2.2.2 Academic Rigor

At the college level, average students are expected to devote *at least* two hours of problem solving and study time outside of class for every hour that they are in class in order to earn a C (i.e., satisfactory) grade. Do not expect to receive a satisfactory grade unless you are willing to make the necessary commitment. Also note that you will be graded on your productivity, competency, and proficiency, not your effort, nor your intentions, nor any factor other than your performance on assigned work (i.e., problem sets and exams).

2.2.3 Advice

I know many of you work, have families, commute, take other courses, have social lives, watch Simpsons marathons, etc. However, experience has shown that economics is not a subject that you can put off until the last minute. An economics course is similar to a math class in that much of the material is cumulative, with each lesson depending on comprehension of the material that has come before.

Therefore, I urge you to attend class on a regular basis and actively participate. Experience has also shown that students whose attendance is irregular usually do quite poorly. I urge you to keep up to date on the reading and assignments, to ask questions in class, and come see me during my office hours if you are having difficulty. I am here to help you. While I realize that it is often unpleasant and sometimes even painful to deal with difficult material, ignoring your difficulties is a guaranteed way to make your problems worse. Forming study groups is also a good way to learn the material. Even if you are the best student in the group, you will still learn through your efforts to explain the material to others.¹ If at any point during the semester you are having difficulty, please come see me sooner rather than later. If you keep up with the material, you can do relatively well in the course. Falling behind is, however, the surest way to make this class a difficult and unpleasant experience.

3 Course Materials

3.1 Textbook

Gerber, James. International Economics, 6th Edition. Pearson. 2014. ISBN: 9780132948913

This is the most recent version of the textbook and subsequently the most expensive. However, it is not only acceptable, but recommended that you purchase the previous (i.e., 5th) edition published in 2010. The main content is more or less identical, but significantly less expensive.

3.2 Software

3.2.1 Other Useful Software

Although not necessary for this class, it is highly recommended that you use an online storage service such as:

- \cdot Dropbox
- \cdot Google Drive
- \cdot Box

3.3 Supplementary (Optional) Resources

3.3.1 Books

- · Buchholz, Todd G., 2007. New Ideas from Dead Economists: An Introduction to Modern Economic Thought, Revised ed. Plume.
- Heilbroner, Robert L., 1999. The Worldly Philosophers: The Lives, Times and Ideas of the Great Economic Thinkers, 7th Revised ed. Touchstone.

 $^{^1}Docendo\ discimus$ ("by teaching, we learn") – Seneca the Younger

3.3.2 Periodicals

- $\cdot \ \, The \ \, Economist$
 - $\cdot\,$ A British weekly English-language magazine focusing on international politics and business news and opinion.
- · Financial Times
 - $\cdot\,$ A British English-language international daily new spaper with a special emphasis on business and economic news internationally.
- · The Wall Street Journal
 - $\cdot\,$ An American English-language international daily new spaper with a special emphasis on business and economic news.
- · Journal of Economic Perspectives (JEP)
 - $\cdot\,$ A quarterly journal published by the American Economic Association (AEA).
- · Federal Reserve Bank of St. Louis Review
 - $\cdot\,$ A quarterly research journal intended for an economically informed but broad readership from the undergraduate student to the Ph.D.
- · Bank of England Quarterly Bulletin
 - \cdot The Quarterly Bulletin explores topics on monetary and financial stability and includes regular commentary on market developments.

3.3.3 Online

- $\cdot\,$ Greg Mankiw's Blog: Random Observations for Students of Economics
 - http://gregmankiw.blogspot.com/
- \cdot Vox
 - http://www.voxeu.org/

4 Course Requirements and Grading

4.1 Exams

Two in-class exams and a final exam will be given during the semester. All exams are closed book/notes. Exams may include true/false/uncertain with explanation, graphing, short-answer (economic rationale), and problem solving (calculation) questions. No exams are dropped or replaced. No make-up exams will be given for any reason.

Any missed exam's percentage toward your final grade will be added to the final exam's weight. For example, if you miss the second exam, then your final exam counts for 55% (30% + 25%) of your final grade. Caveat: no student may miss more than one exam. More than one exam missed, without verifiable appropriate documentation per University regulations, will be recorded as a zero. All exams will be returned and complete solutions will be given in a timely manner. The final exam must be taken to receive credit in the course. If you are unable to take the final exam at its scheduled time and place, do not take this class. The final exam is cumulative.

Since everyone has a bad day: if, and only if, a student takes both exams, then 10% of the lowest exam grade's weight will be added to the final; i.e., the lowest exam will be worth 15% and the final exam will be worth 40% of your final grade. This is an alternative final grade measure that is automatically calculated. The maximum of the two calculated final grades is given.

4.2 Problem Sets

There will be two problems sets; each worth ten percent of your final grade. No problem sets are dropped or replaced. The problem sets are composed of calculation, graphical, true/false/uncertain with explanation, and conceptual questions; thereby mimicking the exams to a large degree. Note: questions from past exams will be made available to you through the problem sets. In order to test you on a larger set of topics, multiple-choice question may be used on problem sets.

4.3 Regrading

Graded material for which there is a regrade request must be done within one week after its return to you. The request for regrade must be done in writing and attached to the exam/problem set when submitting for a regrade. The request must include a description of what the problem is and why you think the exam should be graded differently. In such cases, I will regrade the entire exam/problem set; i.e., not just the question you identified. Your grade may increase, decrease, or remain unchanged.

4.4 Late Work and Extra Credit

Late work of any sort will not be accepted under any circumstance. Bonus questions may be asked on exams. However, that said, there will be no extra credit given in this course for any reason.

4.5 Basis for Final Grade

Assessment		Percentage of Final Grade		Due Date (Tentative)		
Problem Set 1 Exam I Problem Set 2 Exam II		$10\% \\ 25\% \\ 10\% \\ 25\% \\ 0\% \\ 0\% \\ 0\% \\ 0\% \\ 0\% \\ 0\% \\ 0\% \\ $		Thursday 23 February (Due by 3:00 p.m.) Thursday 2 March (2:30 p.m.–3:45 p.m.) Tuesday 2 April (Due by 3:00 p.m.) Thursday 20 April (2:30 p.m.–3:45 p.m.)		p.m.) p.m.) n.) p.m.)
Final Exam		30%		Saturday 6 May (4:15 p.m.–6:15 p.m.)		.m.)
Tota	1	100	%			
	Grading	g Scale age (%)	Letter Grade	GPA Value	Meaning	
	92–100		А	4.00	Excellent	
	89 - 91		A–	3.67	Excellent	
	87-88		B+	3.33	Good	
	82 - 86 79 - 81		В В—	$\begin{array}{c} 3.00 \\ 2.67 \end{array}$	Good Good	
	77 - 78		C+	2.33	Satisfactory	
	72 - 76		С	2.00	Satisfactory	
	69 - 71		C-	1.67	Satisfactory	
	67 - 68		D+	1.33	Poor	
	60 - 66		D	1.00	Poor	
	0 - 59		\mathbf{F}	0.00	Failure	
	_		W	0.00	Withdrawl	

5 Course Policies and Common Sense²

Actions that have negative effects on others will NOT be tolerated.

5.1 Email

The best way to contact me outside of class and office hours is via email (dennis.plott@gmail.com). For any email correspondence, please, type "ECON 324" in the subject line. This is for your benefit. If you do not, then your email will likely not go to the proper mailbox and I may not see it.

Also, an email to me is not a text message to one of your friends; please adhere to standard grammar, punctuation, spelling, etc. For questions regarding the material, it is strongly recommended that you see me in person.

5.2 Electronic Devices

Laptops and iPad type devices are permitted for note-taking and course related material only. If I discover laptops (iPads, etc.) are being used for non-classroom activities, I will not allow them in the class. Non-classroom activities include, but are not limited to, checking your Facebook page, emailing, looking at Reddit, online banking, bidding on cigars, playing Tetris, looking at Brad Paisley's website, and watching anime. No, I did not simply list asinine examples, but have actually witnessed all of these activities during a class!

Calculators may be permitted on some exams. However, only basic calculators up to scientific calculators. All that is "needed" are basic addition, subtraction, multiplication, division, square root functions, and the like. Fancy-pants gadgets such as graphing calculators, cell phones, iPads, or anything that can store or reference information are absolutely not allowed at any time during an exam.

Cell phones, noise makers, and anything that may disturb the class in any way are to be turned off or silenced and put away. If these devices become a problem in class there will be a draconian policy implemented; any student's noise maker that goes off in class automatically loses one-percentage point of their final grade for each infraction. If you are caught texting in class, then the entire class will be given a quiz on the most recent material covered. Wearing or playing with earbuds, headphones, earphones, etc. during class is inappropriate whereby you will be asked to leave. Contrary to popular belief, your cell phone is not a breathing apparatus; you can survive without it.

5.3 Food and Drinks

Please, do not eat food in class. It is distracting to me and your fellow students. Bottled water, coffee, tea, soft drinks, etc. are fine, but please be considerate and do not leave trash. If you spill something, clean it up.

5.4 Punctuality, Attendance, and Talking

Try to arrive to class on time. I understand you may be late from time to time. If this occurs please enter the room quietly so as not to disturb the class. The same consideration applies if you must leave early.

Attendance is not officially recorded or graded. However, you are expected to attend. If you miss class, it is solely your responsibility to obtain the notes and/or materials given from a classmate. Office hours are not a substitute for class time, but you are encouraged to utilize office hours to clarify concepts after you have put forth effort on the material covered.

It is your responsibility to check the class website on a regular basis.

In consideration of your fellow students and the instructor, please refrain from talking with your neighbors during class. If you have questions, ask me, not the student sitting next to you. Talking in class is rude and distracting, both to me and to other students.

² "Common sense is not so common." – Voltaire, A Pocket Philosophical Dictionary, 1764

5.5 Academic Integrity

Academic honesty is expected. In fairness to the many students who work hard and put in an honest effort, those who in any way engage in acts of academic dishonesty or cheating will be treated most harshly as to do otherwise would devalue all honest student's education. I encourage students to discuss economics and the class material together (outside of class) and to help each other in solving problems and in coming to understand the material. In fact, you will find this class much easier if you do form study groups. Nevertheless, work submitted for a grade must ultimately be the work of the individual student – not copied from another student or from any other source. It is my policy to, at a <u>minimum</u>, assign a grade of zero for any problem set on which cheating occurs. In the event of any cheating on an exam my policy is to assign a grade of F in the course. Furthermore, I will pursue all appropriate disciplinary measures provided by College policy; including expulsion.

5.6 Course Flexibility

If it becomes necessary to add to, delete from, or otherwise alter this syllabus, then I reserve the right to do so as I deem fit. However, I will clearly communicate any and all changes made to the class in a timely manner.

5.7 Course Cancellation

If class is canceled by me (has not happened yet), you will be notified as soon as possible through email and a note will be posted on the class website. If required, a make-up class will be scheduled.

5.8 Grade Dissemination

All grades will be posted on Sakai. Due to privacy concerns grades will only be given through Sakai or in person. Phone, email, and other postings of student's grades will not occur per University policy. No one else other than the student in question is able to collect graded material for someone else.

Unfortunately, due to a recent experience, I must point out I will not, nor do I have any desire to, discuss your academic performance in anyway with your parents/guardians. Please, do not have anyone, other than yourself, contact me about your grades. I take your privacy seriously.

5.9 Recording of Lectures

Audio and/or any kind of video recording of lectures is prohibited and is a violation of federal copyright laws unless you have a learning disability that requires such recording (see below). In the event you do have a learning disability requiring recording, all recordings must be used only by the person making them and must be destroyed at the end of the semester.

5.10 Course Material

The course material (e.g., slides, exams with solutions, etc.) is provided on my website to help you. Do NOT post the material to any other website; e.g., Course Hero.

6 Loyola University Chicago Policies and Relevant Information

6.1 Students with Disabilities

Students who have disabilities which they believe entitle them to accommodations under the Americans with Disabilities Act should register with the Services for Students with Disabilities (SSWD) office. To request accommodations, students must schedule an appointment with an SSWD coordinator. Students should contact SSWD at least four weeks before their first semester or term at Loyola. Returning students should schedule an appointment within the first two weeks of the semester or term. The University policy on accommodations and participation in courses is available at: http://www.luc.edu/sswd/

6.2 Academic Calendar

Month	Date	Day	Event
January	January 16 Mon		Martin Luther King, Jr., Holiday, No classes
January	17	Tuesday	Spring Semester Begins. Late and Change of Registration begins – Late registration fee applies
January	23	Monday	Late and change registration ends. Last day to withdraw without a mark of "W"
January	30	Monday	Last day to drop class(es) with a Bursar credit of 100% – dates maintained by Bursar
January	30	Monday	Last day to convert from credit to audit or vice versa – Last day to request or cancel pass/no pass option
March	6 - 11	Monday–Saturday	Spring Break: No classes
March	27	Monday	Last day (5:00 p.m.) to withdraw with a grade of "W", after this date, the penalty grade of "WF" is assigned
April	13–17	Thursday–Monday	Easter Holiday: No classes Thurs evening (classes that start 4:15 p.m. or later are canceled) through Mon afternoon (classes beginning on or after 4:15 p.m. will be held)
April	28	Friday	Spring Semester classes end
May	1 - 6	Monday–Saturday	Final Examinations

7 (Tentative³) Schedule

Month	Month Date Day		\mathbf{Topic}^\dagger	Due
January	17	Tuesday	Syllabus	_
January	19	Thursday	Overview & Introduction	-
January	24	Tuesday	Institutions	-
January	26	Thursday	Comparative Advantage	—
January	31	Tuesday	Comparative Advantage	—
February	2	Thursday	Modern Theories	—
February	7	Tuesday	Modern Theories	—
February	9	Thursday	Tariffs	—
February	14	Tuesday	Non-tariff Barriers	—
February	16	Thursday	Reasons for Protection	_
February	21	Tuesday	U.S. Trade	_
February	23	Thursday	Trade Agreements & WTO	PS 1 (by 3:00 p.m.)
February	28	Tuesday	Migration	-
March	2	Thursday	Exam I	2:30 p.m.–3:45 p.m.
March	7	Tuesday	Spring Break	-
March	9	Thursday	Spring Break	—
March	14	Tuesday	FDI	-
March	16	Thursday	Balance of Trade	-
March	21	Tuesday	Exchange Rates	-
March	23	Thursday	Pegging	-
March	28	Tuesday	International Macroeconomics	-
March	30	Thursday	International Macroeconomics	—
April	4	Tuesday	International Macroeconomics	-
April	6	Thursday	Fixed vs. Floating	—
April	11	Tuesday	The Euro	PS 2 (by 3:00 p.m.)
April	13	Thursday	Easter Holiday	—
April	18	Tuesday	Special Topic	-
April	20	Thursday	Exam II	2:30 p.m.–3:45 p.m.
April	25	Tuesday	Special Topic	-
April	27	Thursday	Final Exam Review	-
May	6	Saturday	Final Exam	4:15 p.m.–6:15 p.m.

 † Note: see next section ("Textbook Readings") for the associated textbook chapters and pages.

³ "The best laid schemes o' mice an' men Gang aft a-gley" [often go awry] – Robert Burns, To a Mouse, 1786

8 Textbook Readings

Introduction to the International Economy

Gerber, Ch. 1.

Institutions of the International Economy

Gerber, Ch. 2.

Comparative Advantage and the Gains from Trade

Gerber, Ch. 3.

Modern Theories and Additional Effects of Trade

Gerber, Ch. 4, pp. 63-73, and Ch. 5, pp. 92-98 [5th: 93-98]

Tariffs

Gerber, Ch. 6, pp. 114-127 [5th: 119-132], and Ch. 7, pp. 136-143 [5th: 140-145]

Nontariff Barriers

Gerber, Ch. 6, pp. 127-132 [5th: 132-137]

Reasons for Protection Gerber, Ch. 7, pp. 143-148 [5th: 146-150]

United States Trade Policies and Institutions

Gerber, Ch. 7, pp. 149-152 [5th: 151-154]

World Trade Arrangements and the WTO Gerber, Ch. 2, pp. 20-23 (again)

International Migration of Labor Gerber, Ch. 4, pp. 83-85 [5th: 84-86]

International Movements of Capital Gerber N/A

The Balance of Trade Gerber, Ch. 9

Exchange Rates Gerber, Ch. 10, pp. 209-226 [5th: 209-227]

Pegging the Exchange Rate Gerber, Ch. 10, pp. 227-233 [4th: 228-235]

International Macroeconomics

Gerber, Ch. 11

Fixed Versus Floating Exchange Rates

Gerber, Ch. 10, pp. 233-235

European Monetary Unification and the Euro

Gerber, Ch. 10, pp. 235-239 [5th: 235-240], and Ch. 14, pp. 342-350 [5th: 348-353]