



St. Francis Xavier University

Department of Economics

ECON 366: International Payments and Finance

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Winter 2023

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Classes: Monday 11:15 am – 12:30 pm, and Thursday 12:45 pm – 2:00 pm

Office Hours: Wednesday 12:00 pm – 1:00 pm, and Thursday 2:15 pm – 3:15 pm.

Description

This is the second part of two half-courses on international economics. This course focuses on the theory and practice of international macroeconomics and examines problems of coordinating macroeconomic policies across countries. The main topics covered are national income accounting and the balance of payments; exchange rates and the foreign exchange market; the money market and its relation to the interest rates and the exchange rates; exchange interventions; international monetary systems and common currency areas; financial globalization and its effect on countries.

Objectives and Learning Outcomes

The course has three main objectives:

- (1) To learn the most important theoretical topics of international finance and macroeconomics.
- (2) To provide students with basic analytical tools essential for policy making to help them understand a number of relevant current issues such as the global financial crisis, the current account deficits of countries, European Monetary Union, and the sovereign debt crisis.
- (3) To prepare students for further study of international economics, and provide a thorough understanding of economic relations across countries.

Prerequisites

ECON 201 and ECON 202.

Textbook

Krugman, Obstfeld and Melitz, *International Economics: Theory and Policy* (12th edition). You can also use Krugman, Obstfeld and Melitz, *International Finance: Theory and Policy* (11th edition) or older versions of this textbook.

Evaluation

The course grade is based on problem sets, a mid-term and a final exam as follows:

- Assignments (3): 30%
- Midterm: 30%
- Final exam: 40%

Students are expected to attend all lectures. The midterm exam is scheduled for **February 27**. **No make-up midterm exams** will be offered. Should a student miss the midterm for a medical reason, the weight of the midterm will be added to the final exam. Students may drop a course, online in Banner, on or before **March 10, 2023** for second-term, three-credit courses. After this date, students are not permitted to drop courses without permission from their Dean. The final exam, to be scheduled by the examinations office in April 2023, will be cumulative.

Three assignments will be handed out during the course. They will consist of questions on international finance theory and short essays in applied topics covered in class. Students will be given a week to complete the assignments. The assignments will then be graded and handed back within a week. Assignments should be handed in during the start of the lecture in which they are due. Late assignments will not be accepted and will receive a mark of zero. The solutions for the assignments will be posted on Moodle.

I will also be posting additional readings on Moodle to accompany the topics that we will be covering in class. I encourage you to follow current international economic issues by reading major newspapers (i.e. The Wall Street Journal, The New York Times, Financial Times, Globe and Mail) or magazines (i.e. The Economist, Time). We will be discussing the relevant economic news in class as well.

The office hours for this term will be conducted **online** on Blackboard Collaborate. The links for the virtual office hours will be posted on Moodle. Please allow for 5 to 10 minutes for everyone to get on Blackboard Collaborate. Aside from the online office hours, you can also send me questions via email and you can request an in-person meeting.

Please note that this in-person course will switch to online delivery if circumstances related to Covid-19 require it in the Winter term. Also, note that the materials in this course are designed for use in Econ 366 at St. Francis Xavier University and are the property of the instructor. Copying this material for distribution, online posting, or selling of this material to third parties for distribution without permission is subject to Canadian Copyright Law and is strictly prohibited. Copying this material for distribution (e.g. uploading material to a

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Course Outline

Chapters

Part I: Exchange Rates and Open-Economy Macroeconomics

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| 1. National Income Accounting and the Balance of Payments | 13 |
| 2. Exchange Rates and the Foreign Exchange Market: An Asset Approach | 14 |
| 3. Money, Interest Rates and Exchange Rates | 15 |
| 4. Price Levels and the Exchange Rate in the Long Run | 16 |
| 5. Output and the Exchange Rate in the Short Run | 17 |
| 6. Fixed Exchange Rates and Foreign Exchange Intervention | 18 |

Part II: International Macroeconomic Policy

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| 1. International Monetary Systems: A Historical Overview | 19 |
| 2. Financial Globalization: Opportunity and Crisis | 20 |
| 3. Optimum Currency Areas and the Euro
<i>(If time permits)</i> | 21 |
| 4. Developing Countries: Growth, Crisis and Reform
<i>(If time permits)</i> | 22 |

Important Dates

January 4: Winter term classes begin

January 27: April exam schedule is available online

February 20 - 26: Winter Study Break

February 27: Classes resume after the study break

March 3: Winter term midterm grades available on Banner

March 10: Last day to drop second-term three-credit courses

April 5: Last day of classes for second term