

Simon Fraser University  
Department of Economics

Economics 345  
Course Outline

Semester: Spring 2011

Instructor: S. Easton

This course develops basic models of exchange rates in the context of elementary macroeconomic theory. Illustrative topics include forward exchange rate and interest rate interactions, purchasing power parity, and exchange rate overshooting. Economic policy is in the context of open economy macroeconomics characterized by the Mundell-Fleming model. The monetary approach to exchange rates and the balance of payments will also be discussed. Some understanding of different exchange rate regimes and the role of the balance of payments will be supplemented by a discussion of optimum currency areas and issues of currency substitution. We will also explore the function and role of international organizations such as the IMF in a modern environment that includes a look at developing economies and their debt management.

There will be a mid-term examinations (25%), assignments and tutorials (25%) and a final examination (50%). Attendance at both the tutorial and classroom will be part of the tutorial mark.

Students should consult my web site: <http://www.sfu.ca/~easton/> for information about class assignments, practice examinations and other announcements relevant to the course. Readings about current events will be added from time to time.

Textbook: Paul R. Krugman and Maurice Obstfeld, *International Economics: Theory and Policy*. 9<sup>th</sup> edition (Addison Wesley: 2012)

#### Chapter and Topics

Week 1: Chapter 13: Overview: National Income and the Balance of Payments

Week 2: Chapter 14: Exchange Rates and the Foreign Exchange Markets

Week 3: Chapter 15: Money and Exchange Rates

Week 4: Chapter 16: Price Levels and the Exchange Rate in the Long Run

Week 5: Chapter 17: Output and Exchange Rates in the Short Run

Week 6: Review - possibly

Week 7: Mid-term Examination – tentatively

Week 8: Chapter 18: Chapter Fixed Exchange Rate Regimes

Week 9: Chapter 19: The International Monetary System

Week 10: Chapter 20: Optimum Currency Areas

Week 11: Chapter 21: Financial Globalization

Week 12: Chapter 22: Developing Countries in the International Markets

Week 13: Review – if there is time.

Students should actively inform themselves about the world financial environment. Reading the business pages of the daily newspaper, the *Vancouver Sun*, *Province*, *National Post*, or *Globe and Mail* provide reasonable sources of information. Other more extensive coverage is provided by the *Wall Street Journal* or the *New York Times*. More extensive and informative coverage yet is available in *The Economist*. If you decide to add a single source, ***The Economist*** is it.