

International Monetary Relations: Syllabus

Economics 103 — Spring 2022

April 1, 2022

Instructor: Marc-Andreas Muendler
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Teaching Assistants: Churn Ken Lee Carlos Bezerra De Goes
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Office hours: Fri 2p-3:30p Tue 2:30p-3:15p

Reader: Renata Abbott Navarrete

Class Time (077277): TueThu 12:30p-1:50p
Classroom: Mosaic 0114
Course Web Page: econ.ucsd.edu/muendler/teach/22s/103
First Midterm review: April 22, 5-6:50p: Zoom ID to be announced on [Canvas](#)
Second Midterm review: May 10, 5-6:50p: Zoom ID to be announced on [Canvas](#)
Final review: June 3, 7-8:50p: Zoom ID to be announced on [Canvas](#)

1 Course Objectives

This course examines the macroeconomy in an international setting. The course covers the exchange rate and the current account and relates their determination to world capital markets and the domestic macroeconomy. The course balances a business cycle perspective on short-term macroeconomic adjustment with a real-side perspective on the long-term evolution of the macroeconomy. The real-side perspective serves as a foundation of the short-term view (lectures 1, 2 and 8) and offers important lessons for macroeconomic management in its own right (lectures 16, 17 and 18). On the short-term monetary side (lectures 3-7 and 9-15), the course discusses economic policies and their effects under different exchange rate regimes—ranging from floating rates to fixed rates to monetary unions. The course and presents implications for the current account and the economy as a whole. Lectures in the latter third of the course turn to current policy topics including recent global financial crises, the Great Recession of 2008, and prevailing global imbalances.

2 Prerequisites

Econ 102 or Econ 110B or Econ 173A.

3 Format

The course will be **taught** in a **hybrid** format, but all **exams** will be **in-person** by default.

You can follow the course material in three ways:

- In-person: Be physically present in the classroom so you can actively participate during lecture in the classroom, ask questions, and talk to the instructor in person before or after lecture.
- Synchronous-remote: Follow a live stream of the lecture and ask live questions using the Zoom chat (moderated by a Teaching Assistant).
- Asynchronous-remote: Follow a Podcast/Zoom recording of lecture, but forego the opportunity to ask live questions.

You can always opt to follow any particular lecture synchronous-remotely or asynchronous-remotely, while attending in-person in general.

You must follow campus safety requirements and, if policy requires it, wear a mask in the lecture hall at all times. The instructor and teaching assistants will wear a mask before and after lecture or section, and when necessary during lecture or section, and maintain proper physical distancing at all times. For the current UC San Diego campus safety policy, please see returntolearn.ucsd.edu.

The format of the exam review sections remains to be determined, but the default is in-person.

There are two midterm exams and one final exam, and they will be administered in-person. If you cannot attend a midterm exam for a reason beyond your control, you will be excused from the midterm and the scores on the remaining exams will be scaled by a factor that proportionally compensates you for the foregone points. If you cannot attend the final exam for a reason beyond your control, the default is to leave the course with an incomplete grade and that you sit for a make-up final exam in fall quarter. However, there may be a remote option for the final exam if justified in individual cases to prevent hardship. If any, remote final exams will be administered following the economics department's strict *Econ 1 Fall 2021 Exam Proctoring Protocol*. For additional detail on exams, see section 8 below.

4 Readings and Podcasts

Electronic lecture slides become available online at the [course web page](#) and on [Canvas](#) before each class.

Textbook (required): Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz (2018)

Textbook supplement (required): Marc-Andreas Muendler (2020)/Ch. 1, 3, 14 and 20

Background Readings (recommended): Ricardo J. Caballero, Emmanuel Farhi and Pierre-Olivier Gourinchas (2008); Guillermo A. Calvo and Carmen M. Reinhart (2002); Douglas W. Diamond and Philip H. Dybvig (1983); Darrell Duffie (2010); Alan Greenspan (2010);

The textbook is available for purchase from the bookstore.

The textbook supplements are select chapters from the textbook draft of Muendler (2020, Ch. 1, 3, 14 and 20) and available for download from the [course web page](#) and [Canvas](#). Further textbook supplements may or may not become available throughout the quarter. The supplements are zipped and password protected. The password is given out on the first day in class.

The readings (articles) help you review the lecture material beyond the textbook. They are available through the course web page and [Canvas](#). Web links to copyrighted readings only work from on-campus domains.

The lectures will become available, as held, in the form of Podcasts and as Zoom recordings.

An online review video revisits the history of international monetary relations over the past century-and-a-half in the light of the main model. The review video is available from the [course web page](#) and [Canvas](#), and is best viewed on or after May 12.

To help you review material and assess your own understanding, for most lectures a Question of the Day will be posted online ([course web page](#) and [Canvas](#)) alongside the lecture slides. The questions of the day are not graded. It is recommended that you work in groups and come to see the instructor or the teaching assistants during office hours to review your answers.

5 Writing Assignments

To engage with the material beyond the classroom setting, you are asked to write analytic reports on select topics in International Monetary Relations. For this purpose, you will work on three writing assignments.

The first writing assignment asks you to perform a basic writing task and illustrates how to use others' work appropriately and ethically, so you will know how to safely avoid plagiarism. The second writing assignment asks you to use basic relationships from the course, and data that you will download yourself, to assess the crypto-currency Bitcoin and its valuation in U.S. dollars. The third writing assignment will also ask you to use basic relationships from the course in combination with online data to analyze and report on economic changes and policy options for macroeconomic management in an open economy.

In the evolving workplace that you will encounter after graduation it will be expected to become ever more important to communicate ideas clearly to team members, stake holders and market partners from diverse backgrounds. The writing assignments are meant to help you communicate insights from the course's economic concepts in an informed way that non-economists can follow. In the writing, you should pay particular attention to explaining the intuition behind your economic arguments. You should avoid, as much as possible, the mere reference to mathematical relationships or graphs and instead emphasize their meaning.

You should target your writing in level and style to a freshman student at UC San Diego who has not taken an economics course so far but is eager and fast to learn. Strive for clarity and concision. Your work is meant to be about three to four paragraphs in length and have between 300 and 500 words. You will submit your written work via the *Turnitin* assignment link on the [Canvas](#) web page (also see below).

The three writing assignments are due at 4:50pm on their respective due dates: 4/15, 5/6, and 6/3. Late submissions receive a reduced score. Each writing assignment counts 40 points. On the second and third writing assignment, you receive 10 additional points for seeing a tutor at the Writing Hub.

6 Writing Hub

The [Writing Hub](#) at the UC San Diego Teaching+Learning Commons offers writing support. For each of the latter two writing assignments (due May 6 and June 3), you receive ten (10) points per assignment for seeing Writing Hub tutors. We recommend you book an appointment ahead of time to discuss the second writing assignment (due May 6) and the third writing assignment (June 3).

The tutors will help you with the writing project by talking through your ideas. They will help you gain more perspective on whether your writing is clear, logical, and well-supported. You will meet the tutors in one-on-one writing consultations. For our course, you can choose between two consultation types: online synchronous or in person in Geisel Library. Online appointments feature real-time document sharing and video and audio feeds, so you can ask questions, have a meaningful conversation about your writing process, and partner with your tutor to develop strategies for revision. Face-to-face appointments in Geisel Library allow for conversation with a peer in a comfortable space. In either format, the tutors at the Writing Hub provide trained peer-to-peer writing support and help you gain perspective on what works and what can be improved in your writing.

Please make appointments early by visiting the Writing Hub's scheduling page at ucsd.mywconline.com. Writing consultations are available Sunday through Friday, including evenings.

Appointment times are limited, so book in advance. You do not need to have a late-stage draft for your appointment; you are welcome to work with the tutor on a draft in progress. Consider using the appointment as a way to give yourself accountability for a timely completion of the assignment.

In addition to tutoring services from the Writing Hub, you can seek advice on your writing project from the teaching assistants and the instructor during Zoom office hours.

7 Turnitin

Your work on the writing assignments must be yours alone; group work is not permitted. The assignments will point you to useful academic publications, from which you can depart. If you refer to those resources, or the textbook, supplemental textbook material, or lecture notes in your written work, make sure your use does not constitute plagiarism.

By taking this course you agree that all required writing assignments will be subject to submission for textual similarity review at *Turnitin.com* (through *Canvas*) for the detection of plagiarism. All submitted writing assignments will be included as source documents in the *Turnitin.com* reference database solely for the purpose of detecting plagiarism of such papers. Use of the *Turnitin.com* service is subject to the terms of use agreement posted on the *Turnitin.com* site.

For *Turnitin.com* (within *Canvas*) to process your writing assignment, make sure that you complete your submission. Go through all submit buttons in stages. Once your submission is complete, you should receive a confirmation email. Verify your email. You may also want to check the *Turnitin.com* folder on *Canvas* after submitting to ensure that you completed your submission successfully.

8 Overall Assessment

There will be two midterm exams and a final exam. The midterm exams will take 50 minutes each and the final exam will take 100 minutes (no extra time). All exams are cumulative. The midterm exams contains five 10-minute questions, the final exam contains ten 10-minute questions.

Your final raw score will be your total points from the two exams and the three writing assignments:

Third-week discussion:	5 points	April 22
Writing assignments:	140 points (40+50+50 points)	April 15, May 6, and June 3
First Midterm (50 minutes):	50 points	April 26
Second Midterm (50 minutes):	50 points	May 12
Final (100 minutes):	100 points	Finals week
<i>Total:</i>	345 points	

Your final *letter grade* will be inferred from the typical grade distribution (curve) in *economics* classes at UC San Diego. You can find this grade distribution on the [course web page](#). The difficulty or simplicity of writing assignments and exams will therefore not matter, whereas your relative performance in comparison to your classmates will determine your letter grade. However, grades of *D* or *F* will not depend on the curve but on a minimal performance standard.

There are three scheduled review sections, one each prior to the two midterm exams and one prior to the final exam, to help you prepare for the exams.

During exams, only a pen, a pencil, a ruler and an eraser are permitted for use. No other material is allowed, and all other objects must be outside your immediate reach at all times during the exam. **The exams are closed book and closed class materials. You must not use any written resources, especially no online material, and you must not communicate with anyone by any means during the exam.**

Principles of academic honesty are strictly applied. Regardless of any potential additional sanction from the academic integrity office, or the absence of an additional sanction, the exam score will be zero if there is an exam rule violation. The complete UC San Diego Policy on Integrity of Scholarship can be viewed at the [Senate web page](#). On each exam, you are required to sign a personal pledge of academic integrity.

Appeals of scores on exams must be submitted in writing. Following the appeal, all questions on all exams and problem sets on record will be reconsidered. An appeal may be denied if the exam was written with a pencil and not scanned.

9 Academic Integrity

Students are expected to honor the highest standards of academic integrity, and principles of academic honesty are strictly enforced. Failure to honor that code will be reported to the office of academic integrity. To review the campus policy, please visit: students.ucsd.edu/academics/academic-integrity.

Regardless of any potential additional sanction from the academic integrity office, or the absence of an additional sanction, the exam score will be zero if there is an exam rule violation. On each exam, you are required to sign a personal pledge of academic integrity.

The complete UC San Diego Policy on Integrity of Scholarship can be viewed at: senate.ucsd.edu/Operating-Procedures/Senate-Manual/appendices/2.

10 Academic Accommodations

Any student with documented disability in accordance with UC San Diego policy has the right to a special accommodation. Please present the formal request within the first two weeks of class so that the necessary arrangements can be made. Please contact the Economics Undergraduate Advisors with any questions about documentation.

11 Non-discrimination and No Harassment

UC San Diego and the Economics Department are committed to creating an environment free from all forms of discrimination and harassment, in which all students are able to learn and openly express themselves.

12 Course Schedule

I. Open-economy Macroeconomics

1. **Tue, March 29:** Introduction to Open-economy Macroeconomics
(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 13; Marc-Andreas Muendler 2020/Ch. 1)
2. **Thu, March 31:** International Capital Market Integration
(Marc-Andreas Muendler 2020/Ch. 14)

II. Exchange Rate Determination

3. **Tue, April 5:** International Monetary Systems, Past and Present
(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 19)
4. **Thu, April 7:** Exchange Rates and Foreign Exchange Markets
(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 14)
5. **Tue, April 12:** An Asset Approach to the Exchange Rate
(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 14)
6. **Thu, April 14:** A Monetary Approach to the Exchange Rate
(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 15)

Fri, April 15, 4:50p: *Writing Assignment 1 DUE* (Canvas, Turnitin)

7. **Tue, April 19:** Monetary Policy and Exchange Rate Determination
(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 15)
8. **Thu, April 21:** Purchasing Power Parity and the Monetary Approach
(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 16)

Fri, April 22, 4:50p: *Canvas Discussion: Your Thoughts on Weeks 1 through 3*

Fri, April 22, 5-6:50p: *Midterm Review Section, Zoom ID on Canvas*

Tue, April 26: FIRST MIDTERM (50 minutes)
covering lectures 1 through 8, Krugman, Obstfeld and Melitz (2018)/Ch. 13 through 16 (Ch. 19 on second midterm); Marc-Andreas Muendler 2020/Ch. 1, 3 and 14 (Ch. 20 on second midterm)

III. Exchange Rate and Current Account Determination

9. **Thu, April 28:** Flexible Exchange Rates and Output in the Short Term
(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 17; Marc-Andreas Muendler 2020/Ch. 20, sections 1 and 2)
10. **Tue, May 3:** Policy under Floating Exchange Rates
(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 17; Marc-Andreas Muendler 2020/Ch. 20)
11. **Thu, May 5:** Managed and Fixed Exchange Rates
(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 18)

Fri, May 6, 4:50p: *Writing Assignment 2 DUE* (Canvas, Turnitin)

12. Tue, May 10: Policy under Managed Exchange Rates

(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 18; Guillermo A. Calvo and Carmen M. Reinhart 2002)

Tue, May 10, 5-6:50p: *Midterm Review Section*, Zoom ID on Canvas

Wed, May 11: *Online review: International Monetary Policy* (Historic Review with Model and Exercises)

(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 19)

Thu, May 12: SECOND MIDTERM (50 minutes)

covering lectures 1 through 12, Krugman, Obstfeld and Melitz (2018)/Ch. 13 through 19; Marc-Andreas Muendler 2020/Ch. 1, 3, 14 and 20

IV. Management of International Financial Relations

13. Tue, May 17 (online): Optimum Currency Areas

(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 21; Kevin H. O'Rourke and Alan M. Taylor 2013, Enrico Spolaore 2013)

14. Thu, May 19 (online): Currency Crises

(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 20;

15. Tue, May 24: Banking and Debt Crises

(Douglas W. Diamond and Philip H. Dybvig 1983; Darrell Duffie 2010; Alan Greenspan 2010)

16. Thu, May 26: Purchasing Power Parity and the Real Exchange Rate

(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 16, Marc-Andreas Muendler 2020/Ch. 3)

17. Tue, May 31: Competitiveness and the Current Account

(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 16, Marc-Andreas Muendler 2020/Ch. 3)

18. Thu, June 2: Current Account Sustainability

(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2018/Ch. 22; Ricardo J. Caballero, Emmanuel Farhi and Pierre-Olivier Gourinchas 2008)

Fri, June 3, 4:50p: *Writing Assignment 3 DUE* (Canvas, Turnitin)

Fri, June 3, 5-7:50p: *Final Review Section*, Zoom ID on Canvas

Finals week day and time TBA:: FINAL EXAM (100 minutes)

covering lectures 1 through 18, Krugman, Obstfeld and Melitz (2018)/Ch. 13 through 22; Muendler (2020)/Ch. 1, 3, 14 and 20; and Caballero, Farhi and Gourinchas (2008), Calvo and Reinhart (2002), Diamond and Dybvig (1983), Duffie (2010), Greenspan (2010),

References

- Caballero, Ricardo J., Emmanuel Farhi, and Pierre-Olivier Gourinchas.** 2008. "Financial Crash, Commodity Prices, and Global Imbalances." *Brookings Papers on Economic Activity*, 2008(2): 1–68.
- Calvo, Guillermo A., and Carmen M. Reinhart.** 2002. "Fear of Floating." *Quarterly Journal of Economics*, 117(2): 379–408.
- Diamond, Douglas W., and Philip H. Dybvig.** 1983. "Bank Runs, Deposit Insurance, and Liquidity." *Journal of Political Economy*, 91(3): 401–19.
- Duffie, Darrell.** 2010. "The Failure Mechanics of Dealer Banks." *Journal of Economic Perspectives*, 24(1): 51–72.
- Greenspan, Alan.** 2010. "The Crisis." *Brookings Papers on Economic Activity*, 2010(1): 201–261.
- Krugman, Paul R., Maurice Obstfeld, and Marc J. Melitz.** 2018. *International Finance: Theory and Policy*. . 11th (global) ed., Boston: Prentice Hall.
- Muendler, Marc-Andreas.** 2020. "The Economics of Globalization." University of California, San Diego, unpublished textbook manuscript.
- O'Rourke, Kevin H., and Alan M. Taylor.** 2013. "Cross of Euros." *Journal of Economic Perspectives*, 27(3): 167–92.
- Spolaore, Enrico.** 2013. "What Is European Integration Really About? A Political Guide for Economists." *Journal of Economic Perspectives*, 27(3): 125–44.

International Monetary Relations: Supplement to the Syllabus

Economics 103 — Spring 2022

May 4, 2022

Instructor: Marc-Andreas Muendler
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13 Supplementary Policy on Missed Writing Assignments

If you cannot meet the deadline for Writing Assignment 2 or 3 for a reason beyond your control, you will be excused from the writing assignment that you miss and the score on the other writing assignment will be doubled, so that the total score compensates you for the foregone points on the missed writing assignment. The writing hub bonus, for seeing a writing hub tutor, will also be doubled.

To receive the compensating score, you must inform the instructor Marc-Andreas Muendler by email prior to the deadline of the respective Writing Assignment.

If you cannot complete both Writing Assignments 2 and 3 for reasons beyond your control, the default is to leave the course with an incomplete grade. We will then offer a one-week window for you to work on a different Writing Assignment 4 during a week in summer session or early fall quarter that will be common to all students who miss both Writing Assignments 2 and 3.