

International Monetary Relations: Syllabus

Economics 103 — Spring 2021

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Readers:	Kelvin Leong	Maria Paula Donaldson	
Class Time A00 (38643):	TueThu 2-3:20p (remote only class R36)		
Class Time B00 (46842):	TueThu 11:00a-12:20p (Tue remote class R278, Thu Center Hall 119)		
Class Time C00 (46843):	TueThu 11:00a-12:20p (Thu remote Class R278, Thu Center Hall 119)		
Classroom:	Peterson 108		
Canvas:	canvas.ucsd.edu/courses/26702		
Course web page:	econ.ucsd.edu/muendler/teach/21s/103		
First Midterm review:	Fri, April 23, 5-6:50p: Zoom ID on Canvas		
Second Midterm review:	Tue, May 11, 5-6:50p: Zoom ID on Canvas		
Final review:	Fri, June 4, 5-7:50p: Zoom ID 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—, 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 held in rotating hybrid format. You can take the course in three ways.

- Synchronous-remote: Follow a live stream of the lecture, and ask live questions using the Zoom chat (moderated by a Teaching Assistant).
- In-person (rotating): Be physically present in the classroom on one of the two lecture days a week (selected upon enrollment) and follow remotely the other day. When in person on the selected day, actively participate during lecture in the classroom, ask questions, and talk to the instructor in person before or after lecture.
- Asynchronous-remote: Follow a Podcast/Zoom recording of lecture, with no opportunity to ask live questions.

You can always opt to follow any particular class synchronous-remotely or asynchronous-remotely (even if you are entitled to an in-person class on a given day). You are not permitted to come in-person on the class day for which you did not enroll. If you miss your permitted in-person class day in a given week, you cannot come in-person on the other class day for which you did not enroll.

Following campus safety requirements, you must wear a mask in the lecture hall at all times (as on any UC San Diego location). The instructor and teaching assistants will wear a mask before and after lecture or exam review section, and when necessary during lecture or exam review section, and maintain proper physical distancing at all times. For the UC San Diego campus safety policy, please see returntolearn.ucsd.edu.

The format of the exam review sections remains to be determined.

4 Readings and Podcasts

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

Textbook (required): [Krugman, Obstfeld, and Melitz \(2018\)](#)

Textbook supplement (required): [Muendler \(2020\)](#)/Ch. 1, 3, 14 and 20

Background Readings (recommended): [Caballero, Farhi, and Gourinchas \(2008\)](#); [Calvo and Reinhart \(2002\)](#); [Diamond and Dybvig \(1983\)](#); [Duffie \(2010\)](#); [Greenspan \(2010\)](#); [Stiglitz \(2000\)](#)

The textbook is available for purchase from the bookstore.

The textbook supplements are select chapters from the textbook draft [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 (46842, 46843) and as Zoom recordings (38643, 46842, 46843).

5 Lecture Materials

Lecture slides will be available online at the [course web page](#) and [Canvas](#). Graphs and select text passages are left empty for you to complete in class.

The lectures will also become available, as held, in the form of video Podcasts (B00, C00) and Zoom recordings (A00, B00, C00). These videos display the complete graphs.

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 11.

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 problem sets 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.

6 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 expectedly 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 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: 4/16, 5/7, and 6/4. 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.

7 Writing Hub

For assistance during the writing process, the [Writing Hub](#) at the UC San Diego Teaching+Learning Commons has arranged for special capacity to assist and advise you on the second writing assignment (due 5/7) and the third writing assignment (6/4). Seeing a tutor is mandatory for each of the latter two writing assignments, and you receive ten points for seeing Writing Hub tutors.

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. You can choose between two consultation types: online (synchronous) or

asynchronous. 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. Asynchronous appointments offer more flexibility: simply upload your writing project to the Writing Hub, share your questions and concerns about your draft, and receive a 7-10 minute screencast with feedback from a tutor. In either format, the tutors at the Writing Hub connect you with supportive, well-trained peer writing and will help you gain perspective on what works and what can be improved in your writing.

Please make appointments early by visiting the Writing Hub at the UC San Diego Commons or their web page at ucsd.mywconline.com. The writing tutor services are open Sunday through Friday, including on evenings. Please see writinghub.ucsd.edu for hours. 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 consultant 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.

8 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 submission, 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.

9 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:

Fourth-week discussion:	5 points	4/30
Writing assignments:	140 points (40+50+50 points)	4/16, 5/7, and 6/4
First Midterm (50 minutes):	50 points	4/27
Second Midterm (50 minutes):	50 points	5/13
Final (100 minutes):	100 points	6/8
<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.

The exams will be open book and open class materials. You must not use other resources, especially no online material, and you must not communicate with anyone by any means during the exam. 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.

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.

10 Academic Integrity

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.

11 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 requests within the first two weeks of class so that the necessary arrangements can be made. Please contact student services with any questions about documentation.

12 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.

13 Course Schedule

I. Open-economy Macroeconomics

1. **Tue, March 30:** Introduction to Open-economy Macroeconomics
(Krugman, Obstfeld, and Melitz 2018/Ch. 2; Muendler 2020/Ch. 1)
2. **Thu, April 1:** International Capital Market Integration
(Muendler 2020/Ch. 14)

II. Exchange Rate Determination

3. **Tue, April 6:** International Monetary Systems, Past and Present
(Krugman, Obstfeld, and Melitz 2018/Ch. 8)
 4. **Thu, April 8:** Exchange Rates and Foreign Exchange Markets
(Krugman, Obstfeld, and Melitz 2018/Ch. 3)
 5. **Tue, April 13:** An Asset Approach to the Exchange Rate
(Krugman, Obstfeld, and Melitz 2018/Ch. 3)
 6. **Thu, April 15:** A Monetary Approach to the Exchange Rate
(Krugman, Obstfeld, and Melitz 2018/Ch. 4)
- Fri, April 16, 4:50p:** *Writing Assignment 1 DUE* (Canvas, Turnitin)
7. **Tue, April 20:** Monetary Policy and Exchange Rate Determination
(Krugman, Obstfeld, and Melitz 2018/Ch. 4)
 8. **Thu, April 22:** Purchasing Power Parity and the Monetary Approach
(Krugman, Obstfeld, and Melitz 2018/Ch. 5)
- Fri, April 23, 5-6:50p:** *Midterm Review Section*, Zoom ID on [Canvas](#)
- Tue, April 27:** FIRST MIDTERM (50 minutes)
covering lectures 1 through 8, Krugman, Obstfeld, and Melitz (2018)/Ch. 2 through 5 (Ch. 8 on second midterm); Muendler 2020/Ch. 1, 3 and 14 (Ch. 20 on second midterm)

III. Exchange Rate and Current Account Determination

9. **Thu, April 29:** Flexible Exchange Rates and Output in the Short Term
(Krugman, Obstfeld, and Melitz 2018/Ch. 6; Muendler 2020/Ch. 20, sections 1 and 2)
- Fri, April 30, 4:50p:** *Canvas Discussion: Your Thoughts on Weeks 1 through 4*
10. **Tue, May 4:** Policy under Floating Exchange Rates
(Krugman, Obstfeld, and Melitz 2018/Ch. 6; Muendler 2020/Ch. 20)
 11. **Thu, May 6:** Managed and Fixed Exchange Rates
(Krugman, Obstfeld, and Melitz 2018/Ch. 7)
- Fri, May 7, 4:50p:** *Writing Assignment 2 DUE* (Canvas, Turnitin)

- 12. Tue, May 11:** Policy under Managed Exchange Rates
(Krugman, Obstfeld, and Melitz 2018/Ch. 7; Calvo and Reinhart 2002)
- Tue, May 11, 5-6:50p:** *Midterm Review Section*, Zoom ID on Canvas
- Wed, May 12:** *Online review:* International Monetary Policy (Historic Review with Model and Exercises)
(Krugman, Obstfeld, and Melitz 2018/Ch. 8)
- Thu, May 13:** SECOND MIDTERM (50 minutes)
covering lectures 1 through 12, Krugman, Obstfeld, and Melitz (2018)/Ch. 2 through 8; Muendler 2020/Ch. 1, 3, 14 and 20

IV. Management of International Financial Relations

- 13. Tue, May 18:** Optimum Currency Areas
(Krugman, Obstfeld, and Melitz 2018/Ch. 10; O'Rourke and Taylor 2013, Spolaore 2013)
- 14. Thu, May 20:** Currency Crises
(Krugman, Obstfeld, and Melitz 2018/Ch. 9; Stiglitz 2000)
- 15. Tue, May 25:** Banking and Debt Crises
(Diamond and Dybvig 1983; Duffie 2010; Greenspan 2010)
- 16. Thu, May 27:** Purchasing Power Parity and the Real Exchange Rate
(Krugman, Obstfeld, and Melitz 2018/Ch. 5, Muendler 2020/Ch. 3)
- 17. Tue, June 1:** Competitiveness and the Current Account
(Krugman, Obstfeld, and Melitz 2018/Ch. 5, Muendler 2020/Ch. 3)
- 18. Thu, June 3:** Current Account Sustainability
(Krugman, Obstfeld, and Melitz 2018/Ch. 11; Caballero, Farhi, and Gourinchas 2008)
- Fri, June 4, 4:50p:** *Writing Assignment 3 DUE* (Canvas, Turnitin)
- Fri, June 4, 5-7:50p:** *Final Review Section*, Zoom ID on Canvas
- Tue, June 8, 11:30a-1:10p and 3:30-5:10p:** FINAL EXAM (100 minutes)
covering lectures 1 through 18, Krugman, Obstfeld, and Melitz (2018)/Ch. 2 through 10; 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), Stiglitz (2000)

References

- CABALLERO, R. J., E. FARHI, AND P.-O. GOURINCHAS (2008): "Financial Crash, Commodity Prices, and Global Imbalances," *Brookings Papers on Economic Activity*, 2008(2), 1–68.
- CALVO, G. A., AND C. M. REINHART (2002): "Fear of Floating," *Quarterly Journal of Economics*, 117(2), 379–408.
- DIAMOND, D. W., AND P. H. DYBVIK (1983): "Bank Runs, Deposit Insurance, and Liquidity," *Journal of Political Economy*, 91(3), 401–19.
- DUFFIE, D. (2010): "The Failure Mechanics of Dealer Banks," *Journal of Economic Perspectives*, 24(1), 51–72.
- GREENSPAN, A. (2010): "The Crisis," *Brookings Papers on Economic Activity*, 2010(1), 201–261.
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- MUENDLER, M.-A. (2020): "The Economics of Globalization," University of California, San Diego, unpublished textbook manuscript.
- O'ROURKE, K. H., AND A. M. TAYLOR (2013): "Cross of Euros," *Journal of Economic Perspectives*, 27(3), 167–92.
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- STIGLITZ, J. E. (2000): "Lessons from the Global Financial Crisis," in *Global financial crises: Lessons from recent events*, ed. by J. R. Bisignano, W. C. Hunter, and G. G. Kaufman, pp. 89–107. Kluwer Academic, Boston, Dordrecht and London.