

## **International Monetary Economics**

Economics 461, Summer 2007

Dr. Stefan Norrbin, Office Hours: TTH 11:00-12:00, or by appointment

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### **COURSE OBJECTIVES:**

This course is intended to provide a familiarization with international financial markets and the basic forces that affect financial decision-making in the multinational firm. We will study international financial problems in the global environment in which firms operate. We develop models that help us evaluate policies that affect the determination of output, price levels, and exchange rates.

### **TEXT:**

Michael Melvin, International Money & Finance, 7th ed., Addison Wesley, 2004.

Additional articles may be handed out in class.

### **COURSE OUTLINE:**

The Foreign Exchange Market, Ch. 1  
Balance of Payments Accounting, Ch. 2  
International Monetary Arrangements, Ch. 3  
International Banking, Ch. 13  
Forward Looking Market Instruments, Ch. 4  
Interest Rates and Exchange Rates, Ch. 5

#### **Test 1 (tentatively July 18)**

Foreign Exchange Risk and Forecasting, Ch. 6  
International Investment, Ch. 7  
Prices and Exchange Rates, Ch. 8  
Trade Flow Determinants, Ch. 9  
Exchange Rate Determinants, Ch. 10

#### **Test 2 (tentatively August 6)**

### **GRADING**

If the student has a medical or other emergency, at the time of a scheduled exam, it is the student's responsibility to inform me. Please call the Economics department at University of Hawaii, and explain the nature of the emergency. If the excuse is valid, the second exam will be re-weighted to reflect the weight on the missing test.

The point breakdown is as follows:

Participation	20 pts.
Homework	30 pts.
Exam 1	50 pts.
Exam 2	50 pts.
Presentation	25 pts.
Paper	<u>25 pts.</u>
	200 pts.

Grading will be according to University norms, and plus and minus grades will be assigned. Final Grades will be assigned according to the following total point values for the course work:

A+	194-200
A	186-193
A-	180-185
B+	174-179
B	166-173
B-	160-165
C+	154-159
C	146-153
C-	140-145
D+	134-139
D	126-133
D-	120-125
F	<120

### **EXAMS**

Exams are all short-answer questions. A typical question asks the student to: calculate the forward premium and compare this to the expected exchange rate differential. Thus the questions have specific answers. Simple calculations and definitions will be asked on the tests.

### **HOMEWORK**

The homework consists of five questions typically, and I will try to give you three days to complete the homework. If handed in late, a one point penalty will be assessed per weekday late (each homework is worth 15 points). No homework assignments are accepted after the assignments have been handed back.

### **PROJECT**

A small group (probably two-three people) presentation will be required. The topic involves country risk analysis and the precise format and topics will be handed out at a later date. The presentations will be done at the end of the summer session.

### **PAPER**

Each individual in the group will write up their share of the report individually and hand in a five page report on their part of the project.

### **ATTENDANCE**

Attendance is important for receiving a good grade. To encourage attendance I will reward the students that regularly attend by checking attendance 10 times during the semester. Students receive 2 points for attendance at those dates. In case of medical or family emergency, that forces you to miss class for a prolonged time, you should immediately contact me to explain the absence. If you have a difficult time attending classes, **do not take this class**. The notes are extremely important for success in the class.

### **HINT**

Economics is difficult for some students. Students often say that it makes a lot of sense when I present the issues in class, but then they are lost when the test comes. To avoid this situation you need to keep up with the notes on a daily basis. Make sure you go over the notes after class, outline them and catch possible confusions immediately.