

ECONOMICS 40223

International Monetary Economics

Fall 2019

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(If you are going to call my cell, text first so I know it's you and I'll answer!)

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COURSE DESCRIPTION: Economics 40223 will describe for the student the state of economic theory in explaining exchange rate movements. Unlike similar portions of an international finance course, the focus will not be upon individual portfolio decisions and the like, but instead on broader theoretical and policy questions. This course carries Global Awareness credit.

PREREQUISITES: Intermediate Macro (C- or better).

USE OF ELECTRONIC DEVICES: Not only should they be stowed during takeoff and landing, they simply aren't needed in this class! You will never need a calculator for my exams, so please do not bring one. Also, students wishing to have a translator available must have only a paper dictionary (please let me check it before the exam). Sorry, I had an incident in the past that has forced me to adopt this policy!

PICTURE DAY: By golly gosh, you are paying a lot of money to come to TCU (well, someone is)—you deserve to have your professors know your name! So, on the second or third day of class I'll be taking all your pictures (to which you'll add your names later) so that I can study, study, study. By exam one I should know everyone's name AND which face it goes with!

REMINDER: Economics majors must earn a C- or better in order to count economics courses toward their economics degree (though as a "D" it can be an elective).



REQUIREMENTS: There will be three major exams. The points will be allocated as follows:

Exam One	30
Exam Two	30
Final Exam	<u>+40</u>
	100

The final is cumulative (though not over ALL the material we covered on exams one and two). Grades will be assigned on the following basis (parenthetical references are to the **TCU Undergraduate Studies Bulletin** definition of the performance necessary for the assignment of each grade):

100 to 89.5 points	A (Exceptional)
89 to 79.5 points	B (Superior)
79 to 69.5 points	C (Medium)
69 to 59.5 points	D (Inferior)
59.4 and less	F (Failure)

Exams are essay and will test students' knowledge of the material covered in lecture and the reading, require them to construct coherent analyses of events or trends using the appropriate framework, and use evidence appropriately when asked to analyze novel situations.



ABSENCES, SELF MOTIVATION, AND YOU:

- From the first day of class, students have a list of potential exam questions covering 80% of what I can ask.
- They are free to work out the answers at home and they are encouraged to send these to me so I can check them.
- I will go over and over these with the student until we are sure that their set is absolutely perfect.
- Happily, everyone passes my course!

One of the above statements is false. Sadly, it is the last one! In fact, the average grades in my upper-level courses are consistently among the lowest (if not the lowest) in the department. The reasons are simple: many students 1) never bother to do the study questions and 2) don't come to class. Do not make these mistakes! Trust me when I say that you will never understand the material properly if you aren't present for the lectures and you can't learn the material without sitting down and doing the hard work of answering the study questions yourself. Getting the answers from someone else is not useless, but it's pretty close. **Believe me when I tell you this because I have seen it over and over and over!** This class is a nightmare for those who have no self discipline. On the other hand, for those who are willing to come to class and work hard, it's difficult not to earn at least a B. Incidentally, among the worst offenders are those repeating the course. I assume they are of the attitude that they don't need to come to class because they've already taken the course once. No, they haven't. Again, please don't make this mistake!

Before I leave this topic, I want to assure the responsible students in class that I do not make any side deals with those who never show up. Irresponsibility does not qualify them for special treatment. Attendance is not "required" in the class, but then neither is passing.

GRADING ON IMPROVEMENT: I have always thought it fair to raise a student's grade when she showed significant improvement over the course of the semester. However, I am very uncomfortable with arbitrarily determining the bonus. Oh happy day! I have come up with a formula to use in this regard! Get out your calculator...

First off, because it is cumulative and will reflect your knowledge of **all** the course material, improvement is linked to your final exam score. To determine your *improvement bonus* first convert all your scores into percentages (e.g., 90% instead of 27/30). Then subtract your lower of your first two exam scores from your final exam percentage and divide that total by 10. That is your bonus, and it will be added to your course total. Note that theoretically the bonus can vary from 10 percentage points (with a 100% on the final and a 0% on either exam one or exam two) to 0 (with a final exam score that does not exceed your lowest score). There is no risk to this bonus—at worst, I add a zero to your course grade.



FINAL EXAM: Our final is scheduled for **Tuesday, December 17 from 8:00am to 10:30am**. Only those students with more than two final exams in a twenty-four hour period are permitted to reschedule any finals. According to University policy, the student must prove that this exceptions applies and this must be done prior to the last week of regular class sessions before final examinations.

PROCEDURES FOR STUDENTS WITH DISABILITIES:

Texas Christian University complies with the Americans With Disabilities Act and with Section 504 of the Rehabilitation Act of 1973 regarding students with disabilities. No otherwise qualified individual shall be denied access to or participation in the services, programs and activities of TCU solely on the basis of a disability. The University shall provide reasonable accommodations for each eligible student who (a) has a physical or mental impairment that substantially limits a major life activity, (b) has a record or history of such an impairment, or (c) is regarded as having such an impairment.

Each eligible student is responsible for presenting relevant, verifiable, professional documentation and/or assessment reports to the Coordinator for Students with Disabilities. Information concerning a student's disability is treated in a confidential manner in accordance with

University policies as well as applicable federal and state laws. Documentation presented to the Coordinator shall be reviewed by appropriate University professional(s) to verify the existence of a disability. Further documentation may be required from the student to substantiate the claim of a disability or to assist the University in determining appropriate accommodations.

Eligible students seeking accommodations should contact the Coordinator as soon as possible in the academic term for which they are seeking accommodations. The Coordinator shall prepare letters to appropriate faculty members concerning

specific, reasonable academic adjustments for the students. The student is responsible for delivering accommodations letters, conferring with faculty members, and returning validation of the receipt of information to the Coordinator. The Coordinator shall consult with the student and with University faculty and staff to ensure delivery of appropriate support services and shall serve as liaison between the student and the faculty member as needed.

Students who wish to appeal a decision regarding appropriate accommodations shall do so in writing to the Affirmative Action Officer, who shall decide the appeal. The Affirmative Action Officer's decision may be appealed within 7 calendar days in

writing to the Provost, whose decision may be appealed in writing within 7 calendar days directed to the Chancellor. At any step during such an appeal, the person deciding the appeal may confidentially consult with appropriate professionals/advisors within or outside the University.



The Coordinator for Students with Disabilities may be contacted at the Center for Academic Services, Texas Christian University, TCU Box 297710, Fort Worth, Texas 76129, (817) 257-7486.



ACADEMIC HONESTY: I do my utmost to see to it that those who are studying hard in my course get full credit for their work and that they are not cheated by classmates. I do this primarily by removing temptation and closely monitoring all exams. However, in the event that my vigilance is not sufficient and a case of academic dishonesty does come to my attention, I give my word to the honest members of the class that the offending party will be penalized as outlined by University policy. Speaking of the latter, here is the official TCU statement:

Academic Misconduct (Sec. 3.4 from the Student Handbook) – Any act that violates the academic integrity of the institution is considered academic misconduct. The procedures used to resolve suspected acts of academic misconduct are available in the offices of Academic Deans and the Office of Campus Life. Specific examples include, but are not limited to:

- *Cheating: Copying from another student's test paper, laboratory report, other report, or computer files and listings; Using, during any academic exercise, material and/or devices not authorized by the person in charge of the test; Collaborating with or seeking aid from another student during a test or laboratory without permission; Knowingly using, buying, selling, stealing, transporting, or soliciting in its entirety or in part, the contents of a test or other assignment unauthorized for release; Substituting for another student or permitting another student to substitute for oneself;*
- *Plagiarism: The appropriation, theft, purchase or obtaining by any means another's work, and the unacknowledged submission or incorporation of that work as one's own offered for credit. Appropriation includes the quoting or paraphrasing of another's work without giving credit therefore.*
- *Collusion: The unauthorized collaboration with another in preparing work offered for credit.*

Students are not the only ones who should be held to a moral standard in the process of determining

course grades. It is equally vital to the integrity of the course that the instructor maintain the highest level of honesty. I promise everyone that, first, no student will have a grade changed simply because they made inquiries regarding my evaluation. Nor will someone in our class receive a higher grade on the basis of "need" (to keep a scholarship, to stay in school, to receive Economics credit, to not be killed by parents, etc.). If those are to be criteria for the determination of grades, then they should appear in the syllabus as assignments. Furthermore, the exams will be graded blindly (i.e., no names) and, at the end of the semester, the one and only place I will look to calculate students' grades will be their cumulative performance on the tests. The standard I will apply in determining letter grades absolutely will be the one listed above, and **I promise that it will be the same for everyone.** Finally, I feel very strongly that it is each student's right to understand how their grade was determined, and I am always happy to fully explain any questions you may have.

MAKEUP EXAMS: This class will meet on the last regularly scheduled day of class (Tuesday, December 10) at the regular class time to take any makeups necessary. **The student need not contact the instructor with an excuse to take a makeup.** Simply miss the regular exam day and you are entitled to take the makeup. Only one exam may be missed in this manner, however. Before any other such incidents I must be contacted **before the time of the exam.** There is no guarantee that the excuse will be honored (I will consider the circumstances and may consult the department chair, dean, and/or Campus Life). In addition, if you already know or could have known that you will be absent for exam two, then this already counts as your one missed test. You would need a documented excuse for not showing up for exam one.

INSTRUCTOR QUALIFICATIONS:

- B.A. Economics and Political Science, U. of Tennessee 1983.
- M.A. Economics, U. of Tennessee 1986.
- Ph.D. Economics (international, macroeconomics, history of economics), U. of Tennessee 1987.

Relevant Publications:

- "Teaching the Greek crisis (and more) from the perspectives of competing models." **Review of Keynesian Economics** 5.4 (2017): 503-518.
- "Exchange Rate Behavior during the Great Recession," **Journal of Economic Issues**, 2012, vol.46, no.2, pp. 313-21.
- "Modeling Financial Crises: A Schematic Approach," **Journal of Post Keynesian Economics**, vol. 33, no.1, 2010.
- "Neoliberalism, Neoclassicism and Economic Welfare," **Journal of Economic Issues**, vol.44, no.2, 2010.
- "Currency Market Participants' Mental Model and the Collapse of the Dollar: 2001-2008," **Journal of Economic Issues**, vol.43, no. 4, December 2009.
- **Currencies, Capital Flows, and Crises: A Post Keynesian Analysis of Exchange Rate Determination**, Routledge (2009).
- "Teaching Post Keynesian Exchange Rate Theory," **Journal of Post Keynesian Economics**, vol.30, no.2, Winter 2007-8.
- "Modeling Interest Rate Parity: A System Dynamics Approach," **Journal of Economic Issues**, vol.40, no.2, June 2006.
- "Psychological and Institutional Forces and the Determination of Exchange Rates," **Journal of Economic Issues**, vol.40, no.1, March 2006.
- "Capital Flows and Trade in Mexico: A Model of Institutional Dynamics." **International Journal of Development Issues**, vol.3, no.1, June 2004.
- "Deviations from Uncovered Interest Rate Parity: A Post Keynesian Explanation." **Journal of Post Keynesian Economics**,

vol.27, no.1, Fall 2004.

- "The Determinants of Currency Market Forecasts: An Empirical Study." **Journal of Post Keynesian Economics**. (Fall 2002).
- "Underdevelopment in Jamaica: An Institutional Perspective." **Journal of Economic Issues**, vol.34, no.2 (June 2000), co-authored with Dawn Elliott.
- **Foundations of International Economics: A Post Keynesian Analysis**, edited by Johan Deprez and John T. Harvey, London: Routledge (1999).
- "The Nature of Expectations in the Foreign Exchange Market: A Test of Competing Theories." **Journal of Post Keynesian Economics**, vol.21, no.2 (Winter 1998-99).
- "Speculation and the Foreign Exchange Market in the 1980's," **Journal of Economic Issues**, vol.32, no.2 (June 1998), coauthored with Stephen Quinn.
- "Expectations and Rational Expectations in the Foreign Exchange Market." **Journal of Economic Issues**, coauthored with Stephen Quinn, vol. 31, no.2 (June 1997).
- "Orthodox Approaches to Exchange Rate Determination: A Survey." **Journal of Post Keynesian Economics**, vol.18, no.4 (Summer 1996).



TCU'S DISCRIMINATION POLICY

TCU prohibits discrimination and harassment based on age, race, color, religion, sex, sexual orientation, gender, gender identity, gender expression, national origin, ethnic origin, disability, predisposing genetic information, covered veteran status, and any other basis protected by law, except as permitted by law. TCU also prohibits unlawful sexual and gender-based harassment and violence, sexual assault, incest, statutory rape, sexual exploitation, intimate partner violence, bullying, stalking, and retaliation. We understand that discrimination, harassment, and sexual violence can undermine students' academic success and we encourage students who have experienced any of these issues to talk to someone about their experience, so they can get the support they need. Review TCU's Policy on Prohibited Discrimination, Harassment and Related Conduct or to file a complaint: <https://titleix.tcu.edu/title-ix/>.

TITLE IX AT TCU

As an instructor, one of my responsibilities is to help create a safe learning environment on our campus. It is my goal that you feel able to share information related to your life experiences in classroom discussions, in your written work, and in our one-on-one meetings. I will seek to keep any information your share private to the greatest extent possible. However, I have a mandatory reporting responsibility under TCU policy and federal law and I am required to share any information I receive regarding sexual harassment, discrimination, and related conduct with TCU's Title IX Coordinator. Students can receive confidential support and academic advocacy by contacting TCU's Confidential Advocate in the Campus Advocacy, Resources & Education office at (817) 257-5225 or the Counseling & Mental Health Center at <https://counseling.tcu.edu/> or by calling (817) 257-7863. Alleged violations can be reported to the Title IX Office at <https://titleix.tcu.edu/> or by calling (817) 257-8228. Should you wish to make a confidential report, the Title IX Office will seek to maintain

your privacy to the greatest extent possible, but cannot guarantee confidentiality. Reports to law enforcement can be made to the Fort Worth Police Department at 911 for an emergency and (817) 335-4222 for non-emergency or TCU Police at (817) 257-7777.

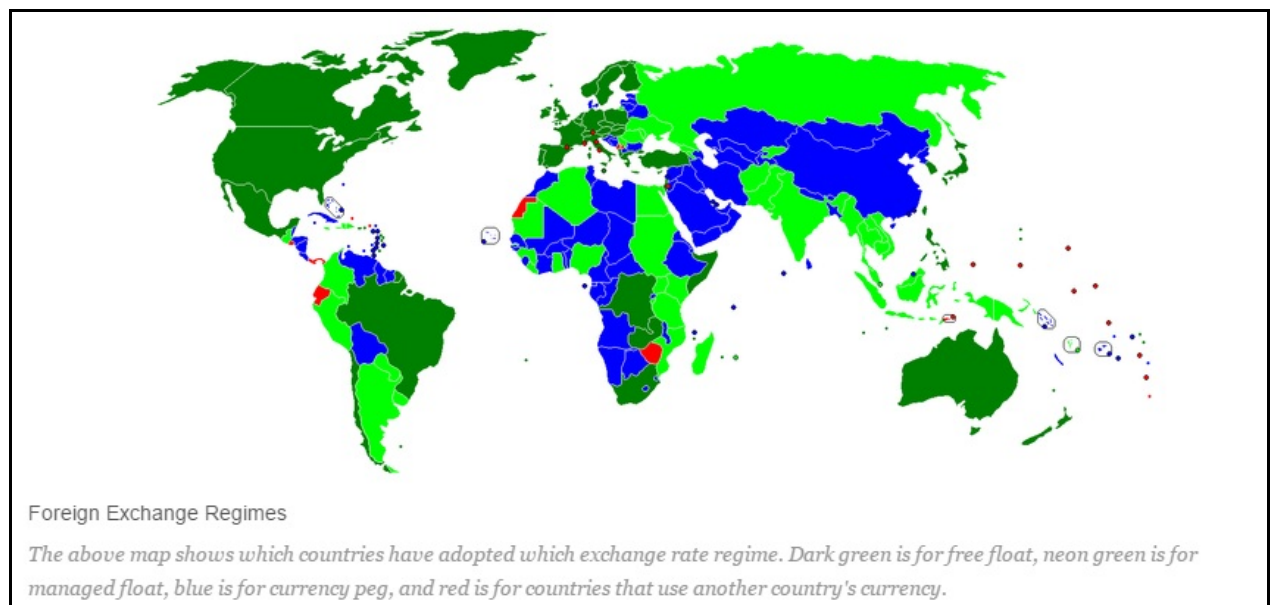
Note that those who are found by the university to be guilty of violence or harassment face sanctions up to and including expulsion (if a student) and termination (if an employee). Criminal charges may also apply.

CLASSROOM ETIQUETTE: In my experience, most students already know exactly how to conduct themselves in a college classroom. Unfortunately, however, a steady deterioration in the level of civility and manners is a trend at universities across the nation (including here at TCU). For that reason, I have taken the reluctant step of requiring all students to sign an agreement regarding appropriate classroom behavior. Please read it carefully as I will be taking it very seriously. Despite mentioning this every semester, I'm afraid that there are still people who don't understand how terribly distracting their conversations are to the rest of us. PLEASE don't create an incident. Instructors are, by the way, empowered to have disruptive students dropped from the class. I will also be signing one for you, of which you will receive a copy. Remember—everyone pays the same tuition and has the right to be able to concentrate on the lecture. Please let me know if anyone is distracting you.



ASSIGNMENTS: The text for this class is *Currencies, Capital Flows and Crises: A Post Keynesian Analysis of Exchange Rate Determination* by some guy named John T. Harvey. It is available in paperback and you should be able to find it at the book store. There is only one edition. Other readings are available here (go to the link for this class): www.johnterenceharvey.com

COMING TO EXAMS LATE: Something that has just started happening recently is people coming to exams late so they can have more time. That is your choice, but bear in mind: 1) if someone has already finished the test and left, you will not be able to take the test (you must take it as a makeup, unless you already need to take a makeup in which case you earn a zero); 2) I will not be able to review anything I have already shared with the class up to that point; and 3) your exam still ends at the same time. Also, if someone leaves before you get there, you may not take that exam. If you have not missed another test, you must take the makeup. If you have, you earn a zero. **This has happened!!!!** Best plan: don't come late.



<https://www.boundless.com/economics/textbooks/boundless-economics-textbook/open-economy-macroeconomics-32/exchange-rates-130/exchange-rate-systems-518-12614/>

WEEK	TOPIC
#1 End Aug 29	Introduction to course (grading, assignments, philosophy, etc.)
#2 End Sep 5	Terminology
#3 End Sept 12	Balance of Payments
#4 End Sep 19	Background STUDY QUESTIONS DUE
#5 End Sep 26	*****EXAM ONE***** (Sep 26)
#6 End Oct 3	Trade (Im)Balances
#7 End Oct 10	" " "
#8 End Oct 22	Models: Open Economy Z-D
#9 End Oct 29	Models: The Mental Model STUDY QUESTIONS DUE
#10 End Nov 5	*****EXAM TWO***** (Nov 5)
#11 End Nov 12	Applying the Model to History
#12 End Nov 19	The Dollar Since 1970
#13 End Nov 26	" " "
#14 End Dec 5	Policy
#14.5 End Dec 10	*****Makeup Exams*****
	*****Study Days*****
	*****FINAL EXAM***** (see above)