

ECONOMICS 40223
International Monetary Economics
Dr. John T. Harvey (Fall 2011)

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 Macroeconomics (C or better).

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

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.

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.

ABSENCE POLICY: The TCU Faculty/Staff Handbook requires that faculty be aware of the attendance of students and, if necessary, report frequent absences. In this class "frequent" will be defined as three or more. Not surprisingly, there is a high correlation between attendance and grades.

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).

FINAL EXAM: Our final is scheduled for Thursday, December 15 at 8:00am. 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.

MAKEUP EXAMS: This class will meet on the last regularly scheduled day of class (Tuesday, December 6) 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).

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, section 3.4 of the Code of Student Conduct¹ defines academic misconduct as including but not limited to cheating, plagiarism, collusion, abuse of resource materials, computer misuse, fabrication and falsification, multiple submission, complicity in academic misconduct, and bearing false witness (definitions of each are available from the link in footnote 1).

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.

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. I will, incidentally, 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. Other readings are available here (go to the link for this class): <http://www.econ.tcu.edu/harvey/course.html>

BLUE BOOKS FOR EXAMS: I would appreciate it if you would purchase Blue Books for each of the exams. Please have these to me by September 20. If you do, I'll add 0.5 pts to your final course grade!

CALCULATORS AND TRANSLATORS: You will never need a calculator for my exams. Those students for whom English is not their native language may bring a dictionary, but not an electronic one. Please let me see the dictionary before class.

¹See page 49: http://www.studentaffairs.tcu.edu/handbook/Student_Handbook.pdf.

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 goes with it!

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.

WEEK	TOPIC
#1 End Aug 25	Introduction to course (grading, assignments, philosophy, etc.)
#2 End Sep 1	Terminology Balance of Payments
#3 End Sep 8	POST KEYNESIAN EXCHANGE RATE DETERMINATION Background
#4 End Sep 15	Psychology and Decision Making
#5 End Sep 22	" " " ***** EXAM ONE ***** (Sep 22)
#6 End Sep 29	Trade (Im)Balances
#7 End Oct 6	" " "
#8 End Oct 18	Models: Open Economy Z-D
#9 End Oct 25	" " "
#10 End Nov 1	Models: The Mental Model ***** EXAM TWO ***** (Nov 1)
#11 End Nov 8	Applying the Model to History The Dollar Since 1970
#12 End Nov 15	Asian and Mexican Crises
#13 End Nov 22	Policy
#14 End Dec 1	NEOCLASSICAL EXCHANGE RATE DETERMINATION Purchasing Power Parity Interest Rate Parity
#14.5 End Dec 6	***** Makeup Exams ***** ***** Study Days ***** ***** FINAL EXAM ***** (see above)

INSTRUCTOR INFORMATION:

Office: Somewhere in Scharbauer Hall (can't remember the number, but it's the fourth floor!)
Phone: 257-7230 or 257-6235 (office—the latter is the direct line); 924-9016 (home: please do not call here past 8:00pm). Hey, I got a cell phone! (817)223-4497
E-mail: j.harvey@tcu.edu (note: you'll hit my spam filter if it's your first note to me)

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:

“Modeling Financial Crises: A Schematic Approach,” **Journal of Post Keynesian Economics**, forthcoming.

“Neoliberalism, Neoclassicism and Economic Welfare,” **Journal of Economic Issues**, forthcoming.

“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 Institutionalist 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).