

General Course Information

Instructor	Professor G. Bauer
Email	gbauer@uoguelph.ca Please be sure to use ECON 4880 in the subject of your email.
Office Location	Office hours will be conducted over Teams.
Office Hours	Tuesday 2:00 – 4:00 by Teams
Department	Department of Economics and Finance, Lang School of Business

Class Schedule: Monday night 7:00 – 9:30 MACS 129

Pre-requisites: There are several upper-year pre-requisites listed for this course. These are not necessary for this version of the course. **If you are a 3rd or 4th year student who has taken second-year Micro and Macro (ECON 2310 and 2410) and Introduction to Finance (FNCE 2000) then you can be waived (by the instructor) into the course (subject to seat availability).** Please bring a Course Waiver Request form to my office or to the first class.

Course Description

This course is designed to give students a **practical understanding** of how central banks interact with global asset and good markets. The roles played by central banks have grown as they respond to a variety of crises -- including financial, housing, exchange rate and sovereign debt and Covid crises – all of which will be examined in the course. To combat the effects of these crises, central banks have deployed new tools (“unconventional” monetary policies) that have been needed to supplement traditional monetary policy. At the same time, the policy responses of central banks in small, open economies (such as the Bank of Canada) have been limited by international forces beyond their control.

We will develop simple macroeconomic models of open economies that can be usefully applied to **understand real-world problems**. The topics presented in the course cover a broad range of topics including exchange rate determination; monetary policy in an open economy (i.e., an economy that trades goods and assets with the rest of the world); balance of payments crises; the choice of exchange rate systems; and the role of capital controls. The insights provided by these tools will be applied to several real-world issues including: the US current account deficit; global imbalances; the Chinese exchange rate regime; the Asian and South American financial crises; the Credit Crisis of 2007-2009; sovereign defaults and Covid.

The course will be useful to those students who wish to become familiar with Bank of Canada and Federal Reserve policies. The large amount of discussion in the popular press suggests that understanding

these policies is important. We will examine real-world problems using both cases and readings from the popular press.

Summary of Course Content

The course is composed of a sequence of modules. **Please use the course website on CourseLink to find all the material, assignments, cases and lecture slides.**

Module 1: National Income Accounting and the Balance of Payments

Module 2: Global Imbalances: Savings, Investment, and the Metzler Diagram

Module 3: Global FX Markets and the Role of the USD

Module 4: Monetary Policy under Global Capital Markets

Module 5: Price Levels and the Exchange Rate in the Long Run

Module 6: Flexible Exchange Rates and Output in the Short Run

Module 7: Fixed Exchange Rates and Balance of Payments Crises

Module 8: The (New) Monetary Policy Framework: Responding to Financial Crises

Module 9: Sovereign Debt Crises

The learning objectives for each of the modules are listed on the course website.

Course Assessment

Group assignments (40% total)

- **All problem sets and cases will be group assignments. You will be required to form groups of 4 to 5 students.** Use the Groups tab on the navbar to organize. Please form your group by the end of the first week as the first problem set for Module 1 will be due soon thereafter.
- Group assignments will be composed of problem sets and cases. Please see the course website for links to both. Please also review the instructions on how to do case assignments.
- **Please see the course website for the due dates** of all the cases and problem sets. We will discuss the cases and problem sets on the day that they are due. Thus, they must be handed in on time. **LATE ASSIGNMENTS WILL NOT BE ACCEPTED.** If it is handed in late your group will receive a grade of zero.
- There will be a team self-assessment at the end of the course. **Shirkers will be heavily penalized.**

Quizzes (20% = 2 x 10% each)

- There will be two **individual** quizzes during the course. **They will be done in person only.** The first follows Module 3 while the second follows Module 6. There are practice quizzes on the

course website. The format of the quizzes will closely follow that of the practice quizzes (which are taken from previous offerings of the course.)

- **There are no make up quizzes.** If you miss the quiz for any reason the weight will be transferred to your final exam.
- **You are allowed a “cheat sheet” for the quizzes.** This is one side of an 8x10 piece of paper. My goal is not to have you memorize the course material; rather, it is to have you use it to solve real world problems. **You will need a financial calculator for the quizzes**

Final exam (40%)

- The final exam will be during the scheduled exam period. It is **done individually in person.** No remote exams will be offered.
- There are practice questions for the final exam on the course website. The format of the final exam will closely follow that of the practice questions (which are taken from previous offerings of the course.)
- **You are allowed a “cheat sheet” in the final** which is both sides of an 8x10 piece of paper. **You will need a financial calculator for the final.**

About the Instructor:

Dr. Bauer is a full Professor of Finance at the Gordon S. Lang School of Business and Economics. Prior to joining Lang, he was the Michael J. Barclay Alumni Professor and Associate Dean of Full-Time Programs at the Simon Business School, University of Rochester. He is a five-time winner of the Superior Teaching Award from the Simon MBA program and a multiple winner of teaching awards from the Executive MBA program. In addition to teaching Macroeconomics, International Finance, and Capital Markets courses at the Rochester campus, he has developed courses on international financial markets for executive students in India. He helped develop the Simon MS Wealth Management program and delivered the Financial Markets and Investment Management course in Switzerland, Hong Kong and Singapore.

Prior to rejoining the Simon School in a full-time capacity in 2017, he was the Senior Research Director in the Financial Markets Department of the Bank of Canada. His research has contributed to important public policy debates on the likelihood of house price corrections; the interaction of monetary and financial stability policies; and, the limitations imposed by financial markets on the ability of central banks to conduct conventional and non-conventional monetary policies. His work received attention in the Canadian press and had an impact on the inflation-targeting agreement between the Bank and the Government of Canada. He has published scholarly articles in the *Journal of Financial Economics*, the *Review of Economic Studies*, the *Journal of Econometrics*, the *Journal of International Money and Finance*, and the *International Journal of Central Banking*.

Bauer received his doctorate from the Wharton School of Business at the University of Pennsylvania. He holds the Chartered Financial Analyst (CFA) designation.

Course Resources

Required Text:

- *International Economics: Theory and Policy* by Paul R. Krugman and Maurice Obstfeld.

The latest (electronic) version of the book costs CAD 112.00. **You do NOT have to use the latest version, nor get the electronic lab that goes with it. I suggest buying a used and older version of the textbook for far less money.** The models presented in the book have not changed. The latest topics will be covered in the material that will be presented in class.

The students will need a financial calculator for the quizzes and final exam. Neither cell phones nor laptops will be allowed in either.

Recommended Text (for keeners only):

- Ben S. Bernanke, *21st Century Monetary Policy: The Federal Reserve from the Great Inflation to COVID-19*, 2022. (Paperback is CAD 25.46 on Amazon.) Very useful for anyone wanting to obtain a deeper background for much of the material that will be covered in the course.

The links to other resources including cases and readings are available on the course website. These are all free.

Course Policies

Classroom Conduct

- Arrive on time, ready to begin, and minimize disruptions throughout the session.
- To facilitate a sense of a personalized classroom community, display a name tent.
- **Turn off and put away your phone.** If you must keep a phone on because of a personal emergency, you must inform the instructor before class begins.
- **Participation is expected and encouraged. You are paying for this experience and should want to get your money's worth. A good question is just as worthwhile as a good answer.**
- Do not use your laptop or tablet unless explicitly permitted or instructed to do so.

Preparation and Interaction

- To achieve positive learning outcomes for you and other students, be prepared to engage fully in each session through the completion of required work before the session, and focused attention and active involvement during the session.
- Respect the classroom as an inclusive learning environment where diverse points of view and experiences can be shared to facilitate everyone's learning.
- Maintain the privacy and intellectual property of everyone in the class by, for example, not sharing recorded images or audio of student or instructor interactions, or course content.

Policy on Digital Recording

- **NO digital or electronic recording of any kind may be made during either lectures or labs without explicit written permission from the course instructors.**
- NO digital or electronic recordings of any kind provided by the instructors or teaching assistants may be shared, posted, or distributed by any means. Any digital content or electronic recordings remain the property of the instructors and are protected by copyright and privacy law.
- By accessing these recorded materials, you agree to these terms, and you agree to be responsible for any damage that may result if you breach them.

Grading Policies

Please see the section on course assessment above.

Students who find themselves unable to meet course requirements by the deadlines or the criteria expected because of medical or personal reasons, should review the regulations on academic consideration in the Academic Calendar and discuss their situation with the instructor, program counselor or other academic counselor as appropriate.

<http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-grds.shtml>

If you have religious observances which conflict with the course schedule or if you are registered with Student Accessibility Services, please contact the course instructor in order to make arrangements for your assessment if appropriate.

University Policies

Academic Consideration

When you find yourself unable to meet an in-course requirement because of illness or compassionate reasons, please advise the course instructor in writing, with your name, id#, and e-mail contact. See the academic calendar for information on regulations and procedures for Academic Consideration:

<http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-ac.shtml>

Academic Misconduct

The University of Guelph is committed to upholding the highest standards of academic integrity and it is the responsibility of all members of the University community, faculty, staff, and students to be aware of what constitutes academic misconduct and to do as much as possible to prevent academic offences from occurring.

University of Guelph students have the responsibility of abiding by the University's policy on academic misconduct regardless of their location of study; faculty, staff and students have the responsibility of supporting an environment that discourages misconduct. Students need to remain aware that instructors have access to and the right to use electronic and other means of detection. Please note: Whether or not a student intended to commit academic misconduct is not relevant for a finding of guilt. Hurried or careless submission of assignments does not excuse students from responsibility for verifying the academic integrity of their work before submitting it. Students who are in any doubt as to whether an

action on their part could be construed as an academic offence should consult with a faculty member or faculty advisor.

The Academic Misconduct Policy is detailed in the Undergraduate Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-amisconduct.shtml>

Accessibility

The University of Guelph is committed to creating a barrier-free environment. Providing services for students is a shared responsibility among students, faculty and administrators. This relationship is based on respect of individual rights, the dignity of the individual and the University community's shared commitment to an open and supportive learning environment. Students requiring service or accommodation, whether due to an identified, ongoing disability or a short-term disability should contact Student Accessibility Services as soon as possible.

For more information, contact SAS at 519-824-4120 ext. 56208 or email sas@uoguelph.ca or see the website: <https://wellness.uoguelph.ca/accessibility/>

Course Evaluation Information

Please refer to the [Blue by Explorance system](#).

Recording of Materials

Presentations which are made in relation to course work—including lectures—cannot be recorded or copied without the permission of the presenter, whether the instructor, a classmate or guest lecturer. Material recorded with permission is restricted to use for that course unless further permission is granted.

Drop date

The last date to drop one-semester courses, without academic penalty, is **Friday, April 4, 2025**. For regulations and procedures for Dropping Courses, see the Academic Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-drop.shtml>