York University

Faculty of Liberal Arts & Professional Studies
Department of Economics

AP/ECON 3580 Section A

International Monetary Economics

Fall 2026

1. Course Instructor/Contact:

Instructor: Arman Mansoorian

Office Hours: If you have any questions, you can email me or ask for a zoom meeting. This will be in place of office hours.

Class time: Mondays 4:00 to 7:00

Location: Stedman Lecture Hall (SLH) A

2. Course Description

The purpose of this course is to introduce you to some important issues in International Monetary Economics. Emphasis will be placed on Macroeconomic models, and some empirical and policy issues will be discussed.

3. Required Textbook/ Readings:

The exams will be based primarily on materials covered in class. The most relevant material will be the lecture notes, and the questions discussed in class. The following textbooks are recommended.

> *International Macroeconomics*, by Robert C. Feenstra and Alan M. Taylor. Macmillan Learning, 2017. ISBN 1429278439, 9781429278430

and

> *Macroeconomics* (2nd Canadian edition), by J.B. DeLong, M. Olney, A. Mansoorian and L. Michelis. McGraw-Hill Ryerson Publishers, 2007.

4. Grading System for the Course

There will be a midterm test on **October 19th**, from **4:00pm** to **5:00pm; and it will be in our regular lecture room.** There will also be a final exam during the exam period for the term. Both exams will be closed book.

The midterm test will be worth 40% of the mark for the course, and the Final will be worth 60%. On individual basis, if it is to your advantage, these weights will change to 30% for the midterm, and 70% for the final.

The midterm will be one hour long and will have 20 multiple-choice questions.

The final will be two hours, and it will have 40 multiple-choice questions. It will be cumulative; **roughly** 7 to 10 of the multiple-choice questions in the final will be from the material before the midterm.

5. Missed Tests

There will be no make-ups for the mid-term exam. Students absent from the mid-term exam for documented reasons will have the weight transferred to their final exam. The deferred exam for the final exam will be granted only for medical reasons. In such cases students should submit a deferred exam application together with the supporting documents (attending physician's statement) to the economics department to my attention. The date and time of the deferred exam will be set at a later date. Students who may require further extensions or accommodation will have to submit a formal petition to the Faculty.

Please consult the following website for information regarding submitting an ECON deferred exam request:

https://www.yorku.ca/laps/econ/undergraduate-programs/academic-resources/department-policies/deferred-standing/

COURSE OUTLINE

The topics that will be covered are as follows. More specific references will be announced in class. Topics and/or more references may be added as the course progresses.

1. History of International Monetary Systems:

- Feenstra and Taylor, Ch. 8
- DeLong *et. al.* Pages 477 to 484, and 486 to 489

In this section we will discuss the various international monetary arrangements we have had in the 19th and 20th centuries. In much of the 19th and early 20th century we had the Gold Standard. With this system central banks would fix the price of gold in terms of their currencies.

From the end of the 2nd World War until 1970 we had the Gold Exchange Standard. With this system each country was fixing the price of their currencies in terms of the US dollar, while the US was fixing the price of the U.S. dollar in terms of gold.

Since the 1970s we have had a flexible exchange rate system.

2. Choices of Exchange Rates:

- Feenstra and Taylor, Chapters 8 and 10.
- DeLong *et. al.* Section 16.2

While discussing the history of international monetary arrangements we will also discuss the problems the countries encountered under each system. Fixed exchange rates do not allow central banks to conduct independent monetary policies to stabilize the economy. On the other hand, with flexible exchange rates there are a lot of fluctuations in the exchange rate, which discourage international trade and investment.

3. Open Economy with Flexible Prices: the Long Run

- Feenstra and Taylor, Chapter 3
- DeLong *et. al.* Section 7.1 to 7.3

This is the model of the long run, where all prices and wages are fully flexible and the economy is al full employment.

We will study the determination of the price level and the inflation rate in this model.

We will start with a closed economy model; and then extend it to a two-country setting.

The simplicity of the model will allow us to study various issues in the two-country setting: effects of variations in growth rates across countries; advantages U.S. has in financing its government expenditures by printing money etc.

We will study issues relating to fixed exchange rates as well.

4. International Parity Conditions:

- Feenstra and Taylor, Chapter 2
- DeLong *et. al.* Sections 15.1, 2.2 and 15.2

Here we will discuss the relations that hold between domestic and foreign prices, and between domestic and foreign interest rates. We will also discuss the ways in which market imperfections can affect these relations. In the goods markets, tariffs and the existence of non-traded goods will be among the "imperfections". In the asset markets the most important "imperfection" is the fact that it may be harder to buy foreign rather than domestic assets.

5. National Income Accounts for Open Economies:

- Feenstra and Taylor, Chapter 5
- DeLong *et. al.* Section 2.6

This will be a review of the goods market that you studied in Introductory Macroeconomics. We will study the determinants of consumption, investment, government expenditures and net exports.

6. The Goods and Money Markets with Fixed Prices:

- Feenstra and Taylor, Chapter 7
- DeLong *et. al.* Pages 221 to 223, 296 to 297 and 151 to 167
  Sections 8.2 to 8.3 and 9.1 to 9.3

Here we will derive the standard IS-LM model, with the IS curve representing the equilibrium in the goods market with fixed process and the LM curve the equilibrium in the money market with fixed prices.

7. Open Economy with Fixed Prices and Flexible Exchange Rates:

- Mainly Lecture Notes
- DeLong *et. al.* Sections 15.4 and 15.5
- Feenstra and Taylor, Chapter 7

In this topic we study various issues pertaining to a small open economy in the short run (with fixed prices) with flexible exchange rates. The effects of government fiscal and monetary policies, the effects of changes in stock prices, the effects of business cycles abroad, etc. will be discussed.

8. Open Economy with Fixed Prices and Fixed Exchange Rates:

- Mainly Lecture Notes
- DeLong *et. al.* Section 15.6
- Feenstra and Taylor, Chapter 7

In this topic we study various issues pertaining to a small open economy in the short run (with fixed prices) with fixed exchange rates. We will compare and contrast the effects of these shocks with fixed and flexible exchange rates.

9. Balance of Payments Accounts and Foreign Exchange Markets:

- Feenstra and Taylor, Chapter 5
- DeLong *et. al.* Sections 15.1, 2.2 and 15.2

Here we talk about the balance of payments accounts. These accounts record all the transactions the country has with the rest of the world. These transactions include the purchases and sales of goods; the purchases and sales of assets; and incomes received from abroad and incomes paid to foreigners.

We will discuss how these transactions give rise to the demand and supply of currencies in the foreign exchange markets; and how these demand and supplies for currencies determine the equilibrium exchange rates.