ECONOMICS 334

SEMINAR IN INTERNATIONAL MACROECONOMICS – EXCHANGE RATE REGIMES IN THE TWENTIETH CENTURY
1. COURSE OBJECTIVES

a. To explore exchange rate regimes in the twentieth century and how they have affected the macroeconomic environment.

b. To provide the student with an opportunity to engage in substantive economic research and historical analysis, applying the knowledge acquired in previous courses.

c. To provide the student with an opportunity to express herself/himself orally and in writing within a collegial environment.

2. BASIS FOR EVALUATION

a. There will be a mid-term examination dealing with the material covered in the seminar discussion. The grade on this exam will constitute approximately 15% of the course grade. The exam will be held on Monday 16th October.

b. There will be two papers required by each student:

i. The first will be about 10-12 pages in length. It is up to the student to choose the subject for discussion, but as a general guideline, it must examine an exchange rate issue. Please see me if you are unsure about your chosen topic. The paper should briefly review significant literature on the topic and point up the relevance of the topic to macroeconomic study. It will be due on Monday 30th October and will count towards 15% of the course grade.

ii. The second paper is to be about 20-25 pages in length. In it, the student should refine and sharpen the question (again chosen by the student) and bring the tools of economic analysis to bear upon it. It is essential that historical, empirical and/or quantitative analysis should be employed. In some way, the student should seek to put her/his personal stamp on the analysis. The paper will be presented – in summary form – during a seminar meeting near the end of the term. The grade on the essay and the presentation will count towards 40% toward the final grade in the course. The full report is to be handed in on Friday 8th December by 4 PM.

c. The remaining 30% of the student’s grade will be based upon his/her contribution to the seminar discussions. Students will be asked to take responsibility for leading the discussion each week. The seminars will be assigned during the first meeting of the semester. The subjects for discussion are listed in this handout. Since this is a seminar, questions and comments are not only encouraged, but expected from each student at every class.
3. READING

I have provided an extensive reading list for this seminar, but I wish to stress that students are not expected to read everything which is listed. The reading list has been compiled to help you select books and articles which you are comfortable with, and as such, they contain a good mixture of historical and contemporary economic analysis. Throughout the course outline, the more important reading is highlighted in bold. I have put as many books as possible on reserve in the library (go to the library web page under ‘Search reserves by Course/Instructor’). Books that appear here and which are not available in the library can be obtained through ILL. There is also an extensive number of articles that you can click on and download (highlighted in blue). There are also over 45 articles available on reserve (highlighted in green).

There is one required text:


Other texts which you might find illuminating are:


### 4. SEMINAR PROGRAMME

<table>
<thead>
<tr>
<th>Topic</th>
<th>Date</th>
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</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>Wednesday 6th September</td>
</tr>
<tr>
<td>Theoretical Concepts</td>
<td>Monday 11th September</td>
</tr>
<tr>
<td>The Gold Standard</td>
<td>Wednesday 13th September</td>
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<tr>
<td></td>
<td>Monday 18th September</td>
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<tr>
<td>The Return to Gold</td>
<td>Wednesday 20th September</td>
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<tr>
<td>The World Economy 1914-1929</td>
<td>Monday 25th September</td>
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<tr>
<td>The Financial Crisis of 1931/The 1930s</td>
<td>Wednesday 27th September</td>
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<tr>
<td>The Bretton Woods Regime</td>
<td>Monday 2nd October</td>
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<td>Wednesday 4th October</td>
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<td></td>
<td>Monday 9th October</td>
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<tr>
<td>The World Economy, 1945-1968</td>
<td>Wednesday 11th October</td>
</tr>
<tr>
<td>Exam</td>
<td>Monday 16th October</td>
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<tr>
<td><em>Fall Recess</em></td>
<td>Wednesday 18th October</td>
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</tbody>
</table>
The International Monetary System Post-1973
Monday 23rd October
Wednesday 25th October

Exchange Rate Regimes in Developing Countries
Monday 30th October
Wednesday 1st November

The Evolution of the EMS
Monday 6th November
Wednesday 8th November

The Tequila Crisis
Monday 13th November

The Asian Crisis
Wednesday 15th November

Thanksgiving Recess
Monday 20th November
Wednesday 22nd November

Reports
Monday 27th November

Reports
Wednesday 29th November

Reports
Monday 4th December

Reports
Wednesday 6th December
5. READING LIST

The International Financial System


Theoretical Concepts


Eichengreen, B. (2000), ‘When to Dollarize’, Prepared for the ITAM Dollarization Project meeting in Mexico City, 3-4 December 1999. This version was presented at a conference on dollarization hosted by the Federal Reserve Bank of Dallas, 6-7 March 2000.


The Royal Swedish Academy of Sciences has decided to award the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel, 1999 to Professor Robert A. Mundell, Columbia University, New York, USA for his analysis of monetary and fiscal
policy under different exchange rate regimes and his analysis of optimum currency areas.


**The Gold Standard**


Muhleman, M. L. (1895), *Monetary systems of the world; a study of present currency systems and statistical information relative to the volume of the world’s money, with complete abstracts of various plans proposed for the solution of the currency problem*, New York, C. H. Nicoll.


The Return to Gold
The World Economy 1914-1929


Hamilton, J. D. (1988), ‘The role of the international gold standard in propagating the
great depression’, Contemporary Policy Issues, 6.

James, H. (1992), ‘Financial flows across frontiers during the interwar depression’,
Economic History Review, 45.

Moggridge, D. E. (1972), British monetary policy 1924-1931: the Norman Conquest of $4.86,
Cambridge: Cambridge University Press.

Thomas, L. B. (1972), ‘Some international evidence on international currency experience,

The Financial Crisis of 1931/The 1930s

Balderston, T. (1994), ‘The banks and the gold standard in the German financial crisis of


Clavin, P. (1992), ‘The fetishes of so-called international bankers: central bank
cooperation for the world economic conference, 1932-3’, Contemporary European History,
1.

Campa, J. M. (1990), ‘Exchange rates and economic recovery in the 1930s: an extension

transmission of business cycle disturbances: some evidence from the great depression,
Journal of Money, Credit and Banking, 12.

Eichengreen, B. (1990), Elusive stability: essays in the history of international finance 1919-
1939, Cambridge: Cambridge University Press.

Eichengreen, B. and Irwin, D. A. (1995), ‘Trade blocs, currency blocs and the


Einzig, Paul (1933), The Sterling-Dollar-Franc Tangle, New York, The Macmillan
Company.


**The Bretton Woods Regime**


**The World Economy, 1945-1968**

Aliber, R. Z. (1973), *National Preferences And The Scope For International Monetary Reform*, International Finance Section, Dept. of Economics, Princeton University, Princeton, N.J.


**The International Monetary System Post-1973**


**Exchange Rate Regimes in Developing Countries**


Cooper, R. N. (1971), *Currency Devaluation In Developing Countries*, International Finance Section, Dept. of Economics, Princeton University, Princeton, N.J.


**The Evolution of the EMS**


Eichengreen, B. (1992), ‘Should the Maastricht Treaty be saved?’, International Finance Section, Dept. of Economics, Princeton University, Princeton, NJ.


**The Asian Crisis**


Latin American Crises


The Transitional Economies


6. FORMAT FOR ESSAYS

1. Please type all essays, reports and assignments and follow these instructions:
   a. Try to use either Helvetica or Palatino font, set to 12 pitch.
   b. The top, bottom and right margins should be set at 1 inch and the left margin at 1.5 inches.
   c. Please double space the text, except where you include a lengthy quote (discussed below).
   d. Number pages consecutively, in the top right hand corner of each page. Do not number the cover/title sheet.
   e. Place figures and tables either within the text (if you can do this) or at the end of the document.

2. To reference an article, chapter or book in an essay, please note the following example:

   This is coupled to the second criticism of monetarism, about how a faster rate of money growth is divided between higher output and rising prices. Friedman once stated that this area was the ‘missing equation’ of monetarist theory (Friedman 1970, pp. 221-222).

3. If you quote from an author who has produced more than one book or article in that particular year, then the format is as follows:


4. If you wish to include a quotation from an article or book which is longer than two lines, then there are two ways of doing this. Note that the quotation is
indented and is in single spacing, while the main text is double spaced. The pitch of the font DOES NOT change.

Either:

This failure by Friedman to provide a clear analytical response to this problem even led Johnson (1971, p. 12) to comment that the monetarist counter-revolution would ‘peter out’ because:

I believe the Keynesians are right in their view that inflation is a far less serious social problem than mass unemployment . . . [T]he second reason is that monetarism is seriously inadequate as an approach to monetary theory, judged by prevailing standards of academic economics, and in the course of repairing its intellectual fences and achieving full scientific respectability it will have to compromise irretrievably with its Keynesian opposition.

Or:

This failure by Friedman to provide a clear analytical response to this problem even led one author to comment that the monetarist counter-revolution would ‘peter out’ because:

I believe the Keynesians are right in their view that inflation is a far less serious social problem than mass unemployment . . . [T]he second reason is that monetarism is seriously inadequate as an approach to monetary theory, judged by prevailing standards of academic economics, and in the course of repairing its intellectual fences and achieving full scientific respectability it will have to compromise irretrievably with its Keynesian opposition.

(Johnson 1971, p. 12)

5. As you are using the Harvard referencing system, there is no need for footnotes. You might want to include endnotes, however. If you do use endnotes, please keep endnotes to a minimum. Try to keep only technical definitions or points of clarification for endnotes. Endnotes should be placed at the end of the assignment, but before the references. These should be double spaced, e.g.:
Mrs Thatcher believed that previous governments had either ignored the rise in inflation, or had concluded that the costs of ridding inflation from the system would require a high sacrifice ratio.¹

1. The sacrifice ratio is the amount of lost output that an economy experiences in order to reduce inflation.

6. Citing web pages:

http://www.eh.net/etc/etc.html (accessed May 20, 1999)

7. How to compile the references. Please use only this format for the references. All of the examples here should cover every type of reference that you will need for your assignment and reports. Please note that the references are single spaced.


## 7. EVALUATION RUBRIC FOR ESSAYS

<table>
<thead>
<tr>
<th>Competency:</th>
<th>Analyzing Economic Environments</th>
<th>Macroeconomic Environments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-competency:</td>
<td>Changes in the variable are accurately summarised and explained in terms of all the relevant causal variables. The summary is timely. Forecasts are reasonable given current trends, and fully justified in terms of reasonable projections of all the relevant causal variables. Theoretically irrelevant variables do not enter the analysis. There is no confusion between dependent and independent variables or between autonomous versus induced changes in variables (i.e., shifts in versus movements along a curve).</td>
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<tr>
<td>(Grade A) 60 – 100</td>
<td><strong>A + = 70+</strong></td>
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<td><strong>A = 65-69</strong></td>
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<td><strong>A - = 60-64</strong></td>
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<tr>
<td>(Grade B) 53 – 59</td>
<td>Trends are accurately summarised and the summary is timely. The analysis of change and/or the forecast is fundamentally sound, although there are minor errors or omissions in parts of the analysis.</td>
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<td><strong>B + = 58-59</strong></td>
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<td><strong>B - = 53-54</strong></td>
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<tr>
<td>(Grade C) 41 – 52</td>
<td>The summary of trends is basically correct, although there may be minor inaccuracies or some of the information may be slightly outdated. Although the analysis of changes or the forecast shows some understanding of macroeconomic theory, errors or omissions were prevalent enough to warrant a review of the material and more practice.</td>
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<td><strong>C - = 41-44</strong></td>
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<tr>
<td>(Grade D) 39-40</td>
<td>The summary of trends is missing or seriously lacking, and the analysis shows some understanding even though errors are prevalent OR, the analysis demonstrates little understanding of macroeconomic theory, and the summary of trends is basically correct but with some inaccuracies or outdated information.</td>
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<tr>
<td>(Grade F) 0-38</td>
<td>The summary of trends is missing or seriously deficient and the analysis demonstrates little understanding of macroeconomic cause-effect relationships.</td>
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<tr>
<td>Competency: Effective Communication</td>
<td>Writing (Brief Documents)</td>
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<tr>
<td><strong>Competency:</strong> Effective Communication</td>
<td><strong>Writing (Brief Documents)</strong></td>
<td></td>
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<tr>
<td><strong>Sub-competency:</strong> Writing</td>
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<tr>
<td>(Grade A) 60 – 100</td>
<td>The document stands out as being effective. It is well organized and addresses the audience. Conclusions are clearly stated and supported where appropriate with properly formatted citations. It flows crisply with concisely written sentences and well chosen words. Spelling, punctuation, grammar, and syntax are excellent. Tables and charts support the analysis and are clearly explained.</td>
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<td>(Grade B) 53 – 59</td>
<td>The document is satisfactorily written with good organization and spelling. However, it has a few mechanical errors, awkward sentences, or poor word choices. OR, important tables, charts, or references are missing or poorly explained or formatted.</td>
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<tr>
<td>(Grade C) 41 – 52</td>
<td>The document has potential, but needs editing. The organization is decent and there are only a few spelling or mechanical errors. However, sentences often do not flow crisply enough, passive voice is used too often, or vocabulary is imprecise. Good writing is within reach. As you read, pay attention to style, sentence structure, and word selection. Actively practice, carefully proof read, re-write, and ask a good writers to review your drafts.</td>
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<tr>
<td>C - = 41-44</td>
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<tr>
<td>(Grade D) 39-40</td>
<td>Although you have a message, your credibility is undermined due to ineffective writing. It is disorganized and/or there are many spelling, grammar, syntax, and punctuation errors. Sentences do not flow crisply and word choice is awkward. Because you are making basic errors, you should study grammar and composition texts, enroll in writing courses, and seek outside help as you practice.</td>
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<tr>
<td>(Grade F) 0-38</td>
<td>The document is incoherent; it is not clear what your message is. There are many spelling, grammar, and punctuation errors. Sentences do not flow crisply and word choice is awkward. You should study writing and critical thinking texts, enroll in basic skills courses, and seek outside help as you practice in these areas.</td>
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<tr>
<td>Competency:</td>
<td>Utilizing Computers</td>
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<tr>
<td>Sub-competency:</td>
<td>Word Processing and Desktop Publishing</td>
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<tr>
<td><strong>(Grade A)</strong></td>
<td>60 – 100</td>
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<tr>
<td>60 – 100</td>
<td>The document stands out as being neat and aesthetically pleasing. Margins, fonts, and spacing are consistent. If appropriate, technical or quantitative information is effectively presented in tables and charts that are clear and properly labelled.</td>
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<tr>
<td>A + = 70+</td>
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<tr>
<td><strong>(Grade B)</strong></td>
<td>53 – 59</td>
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<tr>
<td>53 – 59</td>
<td>The document is neat and satisfactorily presented, but the presentation doesn’t stand out. OR, essential tables and charts are missing or not too useful.</td>
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<td>C + = 50-52</td>
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<td><strong>(Grade C)</strong></td>
<td>41 – 52</td>
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<tr>
<td>41 – 52</td>
<td>The document is neat and has potential, but it needs work in more than one area (aesthetics/layout, margins and spacing, fonts, integration of tables or charts, etc.).</td>
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<tr>
<td><strong>(Grade D)</strong></td>
<td>39-40</td>
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<tr>
<td>39-40</td>
<td>The presentation detracts from your message and undermines credibility with your audience. It needs considerable work in many areas.</td>
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<td><strong>(Grade F)</strong></td>
<td>0-38</td>
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<tr>
<td>0-38</td>
<td>The document is so sloppy, unappealing, and disorganized, the audience is unwilling to invest effort in reading and contemplating its message.</td>
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