

## International Finance

### Winter School @ Fudan SOE 2022

<b>Course Code</b>	ECON2170010		
<b>Course Title</b>	International Finance		
<b>Credit</b>	3	<b>Credit Hours</b>	48 credit hours
<b>Course Objectives</b>	<p>This course covers the macroeconomic and monetary side of international economics. After completing this course, students are expected to understand the functioning of international financial markets, determination of the balance of trade and the balance of payments, the effectiveness of monetary and fiscal policy in an open economy, and the nature and causes of currency crises. Students are also expected to develop macroeconomic models of open economies and apply these to contemporary policy issues. This course investigates the effectiveness of macroeconomic policy in the open economy. Discussions of macroeconomic policy include discussions of the variety of exchange rate regimes, the evolution of debt crises, and the causes of currency crises.</p>		
<b>Course Description</b>	<p>The course provides students with a foundation in the modern theory of international finance. It uses primarily algebraic and diagrammatic techniques to analyze key theoretical models, and also presents contemporary empirical evidence, and discusses econometric and other quantitative techniques used to evaluate evidence and the performance of the theories. Specifically, the course analyzes how and why aggregate economies interact with each other through world markets in goods, services, and assets, including currencies. There is special emphasis on foreign exchange markets, alternative exchange rate and financial market regimes, and foreign exchange and related international financial crises. The course begins by reviewing recent evidence on “globalization”; the dramatic growth in trade in goods, services, and assets over the past four decades. It provides some historical perspective to this growth, discusses measurement of trade and growth, and summarizes alternative theoretical explanations for globalization. It analyzes, from an institutional and theoretical perspective, international currency markets and the determination of exchange rates, and the trade in international goods, asset and capital markets which gives rise to currency markets. The course reviews case studies of alternative currency market regimes, including single currency areas, and of international financial crises, and investigates some modern theories of currency crises.</p>		
<b>Course Requirements:</b>			
Prerequisites: Principles of Economics			
<b>Teaching Methods:</b>			
Online live lecture			

Course Schedule			
Lecture	Lecture topic	Tutorial topic	Assignments and skill development
1	National Income Accounting and the Balance of Payments	Ch13	Exercises from Chapter 13
2	Exchange Rates and the Foreign Exchange Market: An Asset Approach	Ch14	Exercises from Chapter 14
3	Money, Interest Rates, and Exchange Rates	Chp15	Exercises from Chapter 15
4	Price Levels and the Exchange Rate in the Long Run	Ch16	Exercises from Chapter 16
5	Output and the Exchange Rate in the Short Run	Ch17	Exercises from Chapter 17
6	Fixed Exchange Rates and Foreign Exchange Intervention	Ch18	Exercises from Chapter 18
7	International Monetary Systems: An Historical Overview	Ch19	Exercises from Chapter 19
8	Financial Globalization: Opportunity and Crisis	Ch20	Exercises from Chapter 20
9	Optimum Currency Areas and the Euro	Ch21	Exercises from Chapter 21
10	Developing Countries: Growth, Crisis, and Reform	Ch22	Exercises from Chapter 22
11	Group Presentation		
12	Revision	Ch13 – 22	Revision of all topics

**The design of class discussion or exercise, practice, experience and so on:**  
This course is taught in lectures, group discussions and practical group workshops. The lectures provide the structure of the topic, discussion of the theory and some practical examples. The group discussions provide an opportunity to discuss ideas, issues and make practical application of the theory as a team. The group workshops provide students a chance to apply those skills to solve different problems.

**Grading & Evaluation:**

- Attendance: 10%**  
Students are required to attend the lectures. Attendance is checked every time by the teaching assistant.
- Group Report and Presentation: 30%**  
Students are required to write a hypothetical story on how multinational corporations use various

financial tools discussed in the lectures in their daily operation. The report must be more than 2,000 words. Work in a group of no more than 5 people. Please state each group member's contribution. In week 11, you are cordially invited to present your work.

**3. Final Exam: 60%**

A 2-hour-closed-book exam covers material discussed in lectures and tutorials. The exam consists of comprehensive questions only. Students must achieve at least a weighted average mark of 60 to pass.

**Teaching Materials & References:**

International Economics: Theory and Policy (International Finance Part), Paul R. Krugman; Maurice Obstfeld; Marc J. Melitz, Ninth Edition. PEARSON.