

北京大学国家发展研究院本科生课程

“国际金融”教学大纲

International Finance

Course Syllabus

Fall 2017

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Office: 302 Langrun Garden

Class Time: Monday (every week) 13:00-14:50 at room 302 Li-Jiao

Thursday (odd week) 13:00-14:50 at room 302 Li-Jiao

Office hours: Monday 4:00pm-5:00pm

Teaching Assistant: TBA

COURSE DESCRIPTION

This course provides an introduction to international finance and international macroeconomics, with particular focuses on exchange rates, balance of payments, monetary policy, international financial adjustments and finance crises. The course will help students understand how exchange rates are determined, how a country's external financial position and external adjustment responds to internal and external factors, why some countries hold massive foreign exchange reserves and how financial crises are closely tied up with international capital market integration. We will also discuss some aspects of international monetary system and multilateral institutions. This course is intended to provide an introduction to select economic and policy issues for advanced economies, emerging and developing countries. Hence, it is global in scope. Meanwhile, we will stress related issues that are topical in China.

PREREQUISITE

A knowledge of economics at the level of introductory macroeconomics is assumed.

GRADING

Case/Project and Problem Sets:	15%
Class Attendance and Participation:	5%
Mid-term Exam (2017.11.9 周四中午):	30%
Final Exam (2018.1.4 周四下午):	50%

CASE AND PROJECT ASSIGNMENTS

There will be two case/project assignments for this course. Students are encouraged to form project groups/teams of *four or five members*. Due dates and relevant information will be given when the corresponding material has been covered. For each case/project, each team will turn in a typed report (single-spaced; may include exhibits, tables, and references to support arguments) on the due date. No late reports will be accepted.

Also, for avoiding the free rider problem, the team coordinator should briefly state the contributions of all members and obtain their signatures for confirming the coordinator's statements on the cover page of each project/report. Each individual signature on the cover page of any report is counted as one attendance record of that individual member. If the team coordinator has made reasonable efforts to obtain the signatures of team members (for example, some e-mails to the whole team can serve as evidence of notification) but still cannot get some by the due date, the responsibility is on the part of each individual member who does NOT sign. No excuse will be accepted because the signature should be done by the due date.

If any member on a team does not make any meaningful contribution to the joint project, that member should be dismissed from the team. The team should e-mail a notice of the member's removal to both the non-contributing member and the instructor at least 24 hours before the due date.

You are expected to select a country for which you will monitor (throughout the term) relevant economic and political developments. Each case/project assignment will consist of *essay questions* in which you are expected to apply the analytical tools developed in the class lectures. The analysis will be applied to your country of choice.

PROBLEM SETS

- 1) You are expected to turn in your answers to the problem sets. Problem sets must be handed in *at the beginning of class* (in the classroom) on the day they are due. Late problem sets will not be evaluated.
- 2) You may work on the problem sets in small groups. However, answers must be written up individually, in your own words. Please put the names of your study group member(s) on your problem set. *Duplicate answers will be penalized.*

CLASS ATTENDANCE AND PARTICIPATION

Effective class participation requires that you read the assigned readings before coming to class. You are encouraged to ask questions, to share relevant insights you have from previous experiences, and to treat your classmates' participation with courtesy.

TEXTBOOKS

The required textbook is Robert C. Feenstra, Alan M. Taylor, James Taylor (FTT), *International Macroeconomics*, 3rd Edition, Worth Publishers, 2014, or Robert C. Feenstra, Alan M. Taylor,

International Economics, 3rd Edition, Worth Publishers, 2014. Also the version of its Chinese translation is a perfect substitution. Additional slides used in lectures, the syllabus and selected readings will be posted on the Course Website.

Another helpful textbook is written by Stephanie Schmitt-Grohe, Martin Uribe, Michael Woodford (SUW), *International Macroeconomics*, Manuscript, Columbia University, 2015. This manuscript can be downloaded at <http://www.columbia.edu/~mu2166/UIM/im.pdf>

Other useful references:

Bekaert, Geert, Robert Hodrick, *International Financial Management*, Prentice Hall, 2nd Edition, 2012. (asset pricing and financial management)

Lucio Sarno and Mark Taylor, 2003, *The Economics of Exchange Rates*, Cambridge University Press. (more advanced treatment of exchange rate determination)

You are strongly encouraged to read *The Economist* and *Financial Times*. You are also advised to visit a variety of web sites on international finance issues. Students are strongly encouraged to recommend news articles that are directly related to the topics covered in class.

COURSE CONTENT

This course will cover twelve topics. The main content is as follows.

1. The Global Macroeconomy (0.5 week)
 - a) Foreign Exchange: Currencies and Crises
 - b) Globalization of Finance: Debts and Deficits
 - c) Government and Institutions: Policies and Performance

2. Introduction to Exchange Rates and the Foreign Exchange Market (1 week)
 - a) Exchange Rate Essentials
 - b) Exchange Rates in Practice
 - c) The Market for Foreign Exchange
 - d) Arbitrage and Spot Exchange Rates
 - e) Arbitrage and Interest Rates

3. Exchange Rates I: The Monetary Approach in the Long Run (1 week)
 - a) Exchange Rates and Prices in the Long Run
 - b) Money, Prices, and Exchange Rates in the Long Run
 - c) The Monetary Approach
 - d) Money, Interest Rates, and Prices in the Long Run
 - e) Monetary Regimes and Exchange Rate Regimes

4. Exchange Rates II: The Asset Approach in the Short Run (1 week)
 - a) Exchange Rates and Interest Rate in Short Run: UIP and FX Market Equilibrium
 - b) Interest Rates in the Short Run: Money Market Equilibrium
 - c) The Asset Approach: Applications and Evidence
 - d) A Complete Theory: Unifying the Monetary and Asset Approaches
 - e) Fixed Exchange Rates and the Trilemma

5. National and International Accounts: Income, Wealth, and the Balance of Payments (2 week)
 - a) Measuring Macroeconomic Activity: An Overview
 - b) Income, Product, and Expenditure
 - c) The Balance of Payments
 - d) External Wealth

6. Balance of Payments I: The Gains from Financial Globalization (1 week)
 - a) The Limits on How Much a Country Can Borrow: The Long-Run Budget Constraint
 - b) Gains from Consumption Smoothing
 - c) Gains from Efficient Investment
 - d) Gains from Diversification of Risk

7. Balance of Payments II: Output, Exchange Rates, and Macroeconomic Policies in the Short Run (1 week)
 - a) Demand in the Open Economy
 - b) Goods Market Equilibrium: The Keynesian Cross
 - c) Goods and Forex Market Equilibria: Deriving the IS Curve
 - d) Money Market Equilibrium: Deriving the LM Curve
 - e) The Short-Run IS-LM-FX Model of an Open Economy
 - f) Stabilization Policy

8. Fixed Versus Floating: International Monetary Experience (1 week)
 - a) Exchange Rate Regime Choice: Key Issues
 - b) Other Benefits of Fixing
 - c) Fixed Exchange Rate Systems
 - d) International Monetary Experience

9. Exchange Rate Crises: How Pegs Work and How They Break (1 week)
 - a) Facts About Exchange Rate Crises
 - b) How Pegs Work: The Mechanics of a Fixed Exchange Rate

- c) How Pegs Break I: Inconsistent Fiscal Policies
- d) How Pegs Break II: Contingent Monetary Policies

10. RMB internalization (1 week)

11. The Euro (2 week)

- a) The Economics of the Euro
- b) The History and Politics of the Euro
- c) Eurozone Tensions in Tranquil Times: 1999-2007
- d) The Eurozone in Crisis, 2008-2013
- e) The Greek Crisis

12. Topics in International Macroeconomics (2 weeks)

- a) Exchange Rates in the Long Run: Deviations from Purchasing Power Parity
- b) Exchange Rates in the Short Run: Deviations from Uncovered Interest Parity
- c) Debt and Default
- d) The Global Macroeconomy and the 2007-2013 Crisis
- e) Exchange Rate Policy and Unemployment (SUW chapter10-11)