

## International Finance: Markets and Policies

**Department:** Fudan International Summer Session 2022

<b>Course Code</b>	ECON170035				
<b>Course Title</b>	International Finance: Markets and Policies				
<b>Credit</b>	3	<b>Credit Hours</b>	48 credit hours + 3 tutorial hours (one credit hour is 45 minutes)		
<b>Course Nature</b>	<input type="checkbox"/> Specific General Education Courses <input type="checkbox"/> Core Courses <input checked="" type="checkbox"/> General Education Elective Courses <input type="checkbox"/> Basic Courses in General Discipline <input type="checkbox"/> Professional Compulsory Courses <input type="checkbox"/> Professional Elective Courses <input type="checkbox"/> Others				
<b>Course Objectives</b>	This course is about international macroeconomics and international finance. It will help students understand the macroeconomic and financial linkages between countries.				
<b>Course Description</b>	Topics include national income accounting, the balance of payments, the operation of the exchange rate systems, the international capital market, the international monetary system, and the mechanisms of adjustment of exchange rate, interest rate, current account balance, output and price level in response to monetary and fiscal policies. Some issues regarding the Chinese economy, such as the current account imbalance and capital flow, and RMB exchange rate will also be discussed.				
<b>Course Requirements:</b>					
Prerequisites: Intermediate Microeconomics; Intermediate Macroeconomics					
<b>Teaching Methods:</b>					
(e.g. Lectures, group discussion, etc.) Lecture (Face to Face)					
<b>Instructor's Academic Background:</b>					
Sihao Chen, Assistant Professor, School of Economics, Fudan University. In 2019, he received his Ph.D. in Economics from Hong Kong University of Science and Technology. His main research areas are international macroeconomics and international finance. He has published in journals likes <i>Journal of Monetary Economics</i> . His works have been selected for many international economic/macroeconomic conferences, including ASSA Meetings, Society of Economic Dynamics (SED) Annual Conference, etc. He served as an anonymous reviewer of <i>Journal of International Economics</i> , <i>Pacific Economic Review</i> .					
Email: chensihao@fudan.edu.cn					
<b>Course Schedule</b>					
Session	Chapter	Hour	Contents and key points	Text/ reference	Homework and questions
Session 1	Introduction	3	Topics to cover; The relevance of	KOM Chapter 13	

	and The Balance of Payments		international monetary economics in reality; The course arrangement;	FT Chapter 1	
Session 2	The Balance of Payments II	3	The national income accounts; The balance of payments accounts identity;	KOM, Chapter 13 FT Chapter 6 SGUW Chapter 1	
Session 3	Exchange rate II	3	Equilibrium in the foreign exchange market; UCIP;	KOM Chapter 14 FT Chapter 4	
Session 4	Exchange rate III	3	Given UIP condition, we highlight the consequence of monetary policy shock on exchange rate dynamics	KOM Chapter 15	Homework 1
Session 5	Exchange rate IV	3	Exchange rate in the long run: PPP theory. Introduction of real exchange rate and relative prices.	KOM Chapter 16 FT Chapter 3	
Session 6	Exchange rate V	3	Foreign Exchange rate in Practice	ER Chapter 5, Chapter 7	
Session 7	Output and the Exchange Rate in the Short Run	6	We use the AA-DD framework to analyze the long-term effect and short-term effect of monetary policy and fiscal policy	KOM Chapter 17	
Session 8	Fixed exchange rate and foreign exchange	6	Based on AA-DD model, we analyze the trade-off of different exchange rate regime.	KOM Chapter 18 FT chapter 9	Homework 2
Session 9	Fixed exchange rate or flexible exchange rate, and cross country coordination	3	We introduce the IS-LM model, which is slightly different from AA-DD model;  A case study of UK in 1992. The cooperative/non cooperative arrangement of monetary policy under fixed exchange rate regime.	FT Chapter 7 FT Chapter 8	

Session 10	International monetary system: an historical view	3	Summarize the historical experience on the international monetary system in the last century	KOM Chapter 19	
Session 11	Optimum currency area and Euro	3	The criteria to choose the optimum currency area and the euro experience	KOM Chapter 21 FT Chapter 10	
Session 12	Financial globalization and the crisis	3	We try to understand what has caused the rapid growth in international financial activity?	KOM Chapter 20 FT Chapter 1	
Session 14	Sovereign debt and default	3	We introduce the sovereign debt and how is the debt related with macroeconomics fundamental	KOM Chapter 22 FT Chapter 11 SGUW Chapter 15	Homework 3
Session 15	Current account and exchange rate in China	3	A special focus on China: A summary of monetary policy and exchange rate policy in the past 30 years.	Additional materials	

**The design of class discussion or exercise, practice, experience and so on:**

Exercise, discussion

**Grading & Evaluation:**

Performance 20%

Homework 30%

Final 50%

**Teaching Materials & References:**

NO.	Authors	Title	Publisher	Year
1(Required)	Paul R.Krugman Maurice Obstfeld Marc Melitz (abbreviated as KOM)	<i>Krugman, Obstfeld and Melitz, International Economics: Theory and Policy</i> (Ninth Edition)  (The International Finance part)	清华大学出版社	2016
2	Robert Feenstra Alan Taylor (abbreviated as FT)	International Macroeconomics (Third Edition)	中国人民大学出版社	2017

3	Stephanie Schmitt-Grohe, Martin Uribe and Michael Woodford (abbreviated as SGUW)	International Macroeconomics	In preparation for Princeton University Press.	2019
4	Maurice Obstfeld and Kenneth Rogoff (abbreviated as FT)	<i>Foundations of International Macroeconomics.</i>	中国金融出版社	2010
5	Cheol Eun, and Bruce G. Resnick (abbreviated as ER)	International financial management (8 <sup>th</sup> edition)	McGraw Hill Education	2018

The lecture is based on Krugman's book. If other materials are to be used, I will share the related chapters with you.