

DEREE COLLEGE SYLLABUS FOR: EC 4365 INTERNATIONAL MONETARY ECONOMICS

STUDENTS CANNOT TAKE BOTH FN 3219 INTERNATIONAL FINANCE /EC 4365 INTERNATIONAL MONETARY ECONOMICS

(Updated Fall 2021)

UK LEVEL: 6
UK CREDITS: 15
US CREDITS: 3/0/3

PREREQUISITES:

EC 1000 Principles of Microeconomics
EC 1101 Principles of Macroeconomics
EC 3271 Macroeconomic Theory and Policy

CATALOG DESCRIPTION:

Major policy issues in international finance with emphasis on open economy macroeconomics. Topics include the balance of payments and the foreign exchange market; monetary and fiscal policy in open economies; the floating exchange rate system and exchange rate determination; international parity conditions; international financial crises.

RATIONALE:

International Monetary Economics enables students to understand recent and current developments in the global economic environment. The theory and the topics covered provide the insights to discuss topics such as the implications of current account deficits and global financial imbalances, the Chinese exchange rate regime, proposed changes in the international financial architecture, the single currency in Europe, and the recent international financial crises.

LEARNING OUTCOMES:

As a result of taking this course, the student should be able to:

1. Demonstrate detailed knowledge of the balance of payments and its impact on the value of the currency.
2. Demonstrate understanding of the operation of the foreign exchange market.
3. Analyze the impact of macroeconomic policies on the open economy under different assumptions regarding capital mobility and exchange rate systems.
4. Demonstrate detailed knowledge of the five parity conditions and their use in explaining the flow of funds between nations as well as exchange rate fluctuations.
5. Discuss the causes of the most serious recent financial crises.

METHOD OF TEACHING AND LEARNING:

In congruence with the learning and teaching strategy of the college, the following tools are used:

- Lectures, class discussions, and review of cases taken from the real world and applicable to specific theoretical concepts. In-class problem solution and occasional class discussions of recent articles in economic journals assigned by the instructor.
- Office Hours: Students are encouraged to make full use of the office hours of their instructor, where they can ask questions and go over lecture material.
- Use of Blackboard, where instructors post lecture notes, assignment instructions, timely announcements, as well as additional resources.

ASSESSMENT:

Summative:

	<table border="1" data-bbox="505 205 1294 380"> <tr> <td data-bbox="505 205 1127 275">1st assessment: In-class written examination (one-hour, closed book, essays/problems)</td> <td data-bbox="1127 205 1294 275">40%</td> </tr> <tr> <td data-bbox="505 275 1127 380">Final assessment: In-class written examination (two-hour, closed book, essays/problems, comprehensive)</td> <td data-bbox="1127 275 1294 380">60%</td> </tr> </table> <p data-bbox="505 415 654 443">Formative:</p> <table border="1" data-bbox="505 443 1294 485"> <tr> <td data-bbox="505 443 1105 485">Formative assignments</td> <td data-bbox="1105 443 1294 485">0%</td> </tr> </table> <p data-bbox="505 552 1507 615">The formative assignments prepare students for the examinations and ensure that students are actively engaged during the term.</p> <p data-bbox="505 653 1507 747">The 1st assessment tests Learning Outcomes 1 and 2. The final assessment tests Learning Outcomes 1, 2, 3, 4, and 5, with emphasis on 3, 4 and 5.</p> <p data-bbox="505 785 1507 947">The final grade for this module will be determined by averaging all summative assessment grades, based on the predetermined weights for each assessment. If students pass the comprehensive assessment that tests all Learning Outcomes for this module and the average grade for the module is 40 or higher, students are not required to resit any failed assessments.</p>	1 st assessment: In-class written examination (one-hour, closed book, essays/problems)	40%	Final assessment: In-class written examination (two-hour, closed book, essays/problems, comprehensive)	60%	Formative assignments	0%
1 st assessment: In-class written examination (one-hour, closed book, essays/problems)	40%						
Final assessment: In-class written examination (two-hour, closed book, essays/problems, comprehensive)	60%						
Formative assignments	0%						
<p data-bbox="142 982 467 1010">INDICATIVE READING:</p>	<p data-bbox="505 982 813 1010">REQUIRED READING:</p> <p data-bbox="505 1052 1187 1079">Salvatore, D., International Economics, latest edition.</p> <p data-bbox="505 1121 1507 1148">Journal articles, accessible through the Library, as assigned by the instructor.</p> <p data-bbox="505 1190 894 1218">RECOMMENDED READING:</p> <p data-bbox="505 1260 1474 1323">Caves, Richard E.; Frankel, Jeffrey A.; Jones, Ronald W., World Trade and Payments: An Introduction, Pearson, Latest Edition</p> <p data-bbox="505 1365 1403 1428">Ghosh A. and Ramakrishman, U. (2006). Do Current Account Deficits Matter? Finance and Development, IMF, Vo. 4, No. 4, December.</p> <p data-bbox="505 1470 1474 1533">Hanke S. and Schuler K., (2002). What Went Wrong in Argentina?, Central Banking Journal, Vol. XII, No 3, February.</p> <p data-bbox="505 1575 1507 1669">Kaminsky, G. L. and Reinhart, C. M. (1999), The Twin Crises: The Causes of Banking and Balance-of-Payments Problems, American Economic Review, Vol 89, No. 3, June</p> <p data-bbox="505 1711 1430 1774">Kouretas, G.P. (2010), The Greek Debt Crisis: Origins and Implications, Panoeconomicus, 57 (4), pp. 391-404.</p>						

	<p>Neaime, S., Gaysset, I. and Badra, N. (2018), The eurozone debt crisis: A structural VAR approach, Research in International Business and Finance, No. 43, pp. 22-33.</p> <p>On the rocks: How did Asia's supposedly watertight economies sink? Economist, March 5, 1998.</p> <p>The Global Monetary System: Beyond Bretton Woods 2, Economist, November 4, 2010</p> <p>Van der Molen, M. (2013), The Tequila Crisis in 1994, Economic Report, Rabobank, September 19.</p>
<p>INDICATIVE MATERIAL: (e.g. audiovisual, digital material, etc.)</p>	<p>REQUIRED MATERIAL: N/A</p> <p>RECOMMENDED MATERIAL: N/A</p>
<p>COMMUNICATION REQUIREMENTS:</p>	<p>Use of appropriate academic conventions as applicable in oral and written communications.</p>
<p>SOFTWARE REQUIREMENTS:</p>	<p>Word, Excel</p>
<p>WWW RESOURCES:</p>	<p>www.ft.com (Financial Times) www.economist.com (Economist) www.iie.com (Institute for International Economics) www.imf.org (International Monetary Fund)</p>
<p>INDICATIVE CONTENT:</p>	<p>I. Introduction</p> <p>II. The Balance Of Payments And Exchange Rates</p> <ol style="list-style-type: none"> 1. National Income Accounting 2. Balance of Payments Accounting 3. Exchange Rates and the Foreign Exchange Market 4. Sustainability and Implications of Current Account Deficits <p>III. The International Monetary System</p> <ol style="list-style-type: none"> 1. Brief History of the Monetary System 2. Fixed Vs Flexible Exchange Rates 3. Other Exchange Rate Arrangements <p>IV. Income Adjustment And The Trade Balance</p> <ol style="list-style-type: none"> 1. Assumptions 2. Small-Country Open Economy Keynesian Model 3. Two-Country Keynesian Model for a Large Country <p>V. Macroeconomic Policy In The Open Economy</p> <ol style="list-style-type: none"> 1. Macroeconomic Policies with Fixed Exchange Rates and Partial Capital Mobility

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| | <ul style="list-style-type: none">2. Macroeconomic Policies with Flexible Exchange Rates and Partial Capital Mobility3. Macroeconomic Policy with Perfect Capital Mobility4. International Transmission of Disturbances under Flexible Exchange Rates |
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VI. Parity Conditions

- 1. Purchasing Power Parity
- 2. International Fisher Effect
- 3. Interest Rate Parity
- 4. Forward Rate Parity

VII. International Financial Crises

- 1. Financial Instability
- 2. International Financial Crises