

International Monetary Economics

Biwei Chen

Bchen@binghamton.edu

Office: Library Tower 1105

Hours: MW 10:00-11:00 AM

Indicate Email Subject E437-1

Prerequisite

Calculus & Intermediate Macroeconomics

Meetings

Online Synchronous (OS) MWF 8:30-9:30 PM

Description

This course overviews the global economy and international monetary system, analyzes countries' balance of payments and external wealth positions, studies foreign exchange markets and exchange rate determination, and examines open-economy policy challenges and global financial crises. Lectures focus on interpreting macro-finance data and real-world applications of theoretical models. Topics cover patterns and causes of global imbalances, foreign exchange markets and exchange rate determination, macroeconomic policy effects under different exchange rate regimes, the evolution of global monetary system, Euro in retrospect and prospect, financial crises and economic reforms. Format: Online synchronous lectures, in-class quizzes, problem sets, a midterm and a final exam.

Objectives

The main goal is to develop analytical framework for understanding the global economy and its interconnectedness, foreign exchange markets, open-economy policy challenges, and exchange rate crises. After completing this course, students are expected to

- Interpret global economic and financial conditions in the news and public policy discussions
- Apply the balance of payments and external wealth position analysis to global imbalances
- Master key concepts, measurements, arbitrage, institutions in the foreign exchange markets
- Familiarize with the theories, models, and empirical findings in exchange rate determination
- Develop models for analyzing the interaction between exchange rate and the open economy
- Model policy effects and challenges in an open economy under various exchange rate regimes
- Sketch the evolution and driving forces of international monetary system and the Euro zone
- Characterize exchange rate crises and understand the theories and models behind the scene

Textbooks

[1] Biwei Chen (2021) *International Finance Lectures: Global Economy & Monetary System*. Cognella

[2] Robert Feenstra & Alan Taylor (2021) *International Macroeconomics*. 5th E. Macmillan (Recommend)

Digital lecture materials will be provided to students free of charge. For a paperback copy, students can order online (\$34.95 + \$9 delivery) <https://store.cognella.com/23008> To render an affordable textbook to students, the author has waived all royalties for this publication.

MyCourses

Please check regularly for course logistics, lecture materials, assignments, readings, research guidelines, data links, deadlines and policies. Students are required to read the assigned textbook chapters ahead of each lecture, take notes during lectures, and review the materials afterwards with a study group and alone. Follow *MyCourses* announcements and emails for important updates.

Evaluation

Student evaluation consists of problem sets (25%), in-class quizzes (15%), midterm exam (30%), and final exam (30%). The overall evaluation is a letter grade converted from the percentage scale taking into account the entire class distribution. Attendance is both a collegial courtesy and an obligation in the course.

- Problem sets will be assigned about every two to three weeks. There are five problem sets with quantitative applications of economic theories and models. Students can discuss questions but must submit independent solutions. Violation of the academic honesty code will result in a zero grade and the issue being reported to the dean. Assignment deadlines are firm and late submission will not be accepted except for a medical or family emergency.
- In-class quizzes. As part of active learning strategy, there will be short quizzes throughout the semester via *MyCourses*. Format: camera-on open-book multiple-choice questions that test basic concepts, models, and calculations. Please arrive on time. No make-up quizzes will be scheduled.
- Midterm and final exams will NOT be rescheduled because of travel and other personal arrangements. In the case of a documented emergency or conflicts with the scheduled exam date, a make-up exam will be given. Access *MyCourses* Exam Folder for exam schedules and policies.
- Attendance and participation. Studies show that attending lectures will significantly improve students' ability to succeed in the class and the major study. Except for a medical or family emergency (with a proper document), more than three absences will negatively affect student's grade. Students are responsible for reporting any absence within a two-day window. Please maintain mutual respect and courtesy in class. Discussion and participation are encouraged.

Throughout the course, it is important for students to contact the teaching staff to ensure positive learning and teaching experience. If students have trouble keeping up with the class material or the workload, please feel free to reach out to the teaching staff. It is the instructor's responsibility to support students in making progress and help students succeed in the course. Students are strongly encouraged to 1) raise questions and participate in the lecture and discussion; 2) provide feedback and suggestions regarding teaching and course organization; 3) solve problem sets and review lectures in a group; 4) seek advice from the teaching staff to improve academic performance.

Schedule (subject to change)

Week	Key Topics	Lecture
W1	Course Logistics & Introduction to International Economics An Overview of the Global Economy and Monetary System	L1
W2	<i>Foundations of Economic Analysis</i> Price Theory and Money Theory Interest Theory and Applications	L2
W3	<i>Understanding Global Imbalances</i> International Transaction Accounting and Balance of Payment U.S. Current Account, Capital Account, and Financial Account	L3
W4	<i>Understanding Global Rebalances</i> External Wealth and Net International Investment Position Macroeconomic Policy Goals in an Open Economy	L3
W5	<i>Introduction to Foreign Exchange Markets</i> Data, Measurements, and Foreign Exchange Derivatives Demand and Supply Model of Foreign Exchange Market	L4
W6	Exchange Rate Determination I: Interest Rate Parity The Asset Approach to Exchange Rate Determination	L5
W7	Exchange Rate Determination II: Purchasing Power Parity The Monetary Approach to Exchange Rate Dynamics	L5
W8	Review Session and Midterm Exam Keynesian Model of Open Economy Income Determination	L6
W9	Exchange Rate and Output Equilibrium in the Short Run Macroeconomic Policy, Exchange Rates, and Current Account	L6
W10	The Fixed Exchange Rate Regimes Macroeconomic Policy under a Fixed Exchange Rate	L7
W11	The Floating Exchange Rate Regimes Macroeconomic Policy under a Floating Exchange Rate	L7
W12	Exchange Rate Crises: Facts, Theories and Models Exchange Rate Crises: Rescues and Policy Reforms	L8
W13	Evolution of International Monetary System Gold Standard, Bretton Woods and Free Floats	L9
W14	Optimum Currency Areas: Retrospect and Prospect of Euro Financial Globalization: Opportunities and Challenges	L10
TBA	Review Session and Final Exam	

For important deadlines, refer to academic calendar <https://www.binghamton.edu/academics/academic-calendar.html>

Special date: February 26 follows a W schedule. Rejuvenation days: March 17, April 8, April 20.

How to Get the Most Out of The Course

- Prepare textbook readings ahead of each lecture
- Take notes during lectures (slides are insufficient)
- Review the textbook chapters, lecture notes and materials
- Start early to work on assignments in groups and alone
- Attend instructor and TA office hours to solve problems
- Pay attention to course announcements and emails
- Look for help and guidance when you get stuck
- Ask Ask Ask questions. Practice makes perfect.

Student Resources

<https://libraryguides.binghamton.edu/economics>

<https://www.binghamton.edu/clt/tutoring-services/>

<https://www.binghamton.edu/student-research-and-scholarship/>

<https://www.binghamton.edu/dean-of-students/dos-info/faculty.html>

Student Wellness

It is important for undergraduates to recognize and identify the different pressures, burdens, and stressors you may be facing, whether personal, emotional, physical, financial, mental, or academic. We as a community urge you to make yourself—your own health, sanity, and wellness—your priority throughout this term and your career here. Sleep, exercise, and eating well can all be a part of a healthy regimen to cope with stress. Resources exist to support you in several sectors of your life, and we encourage you to make use of them. <https://www.binghamton.edu/counseling/>

Academic Honesty

Students in this course are expected to observe the Student Academic Honesty Code and should make sure they become familiar with its provisions. Violations of the code (e.g., plagiarism and fabrication) will be prosecuted as specified in the Code. <http://libraryguides.binghamton.edu/citation/honesty>

Course Expectation

Binghamton University is unusual in offering a large majority of its undergraduate courses for four credit hours. This approach, developed by the Harpur College faculty in the 1960s, assumed that BU courses offered greater depth than similarly titled courses at other institutions. It was central to the philosophy embodied in Harpur College's credo—"From breadth through depth to perspective"—and assumed that students would do significantly more work outside of class than for a similarly titled three-credit course.

Disability Accommodations

Students needing accommodations to ensure their equitable access and participation in this course should notify the instructor with an Academic Accommodation Authorization from Binghamton University's Services for Students with Disabilities (SSD) office as soon as they're aware of their need for such arrangements. The SSD office is located in University Union 119. www.binghamton.edu/ssd