

International Monetary Economics

Fall, 2024

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This course is designed as PBL(problem based learning) course this semester.

Overview

This course is designed to give students a strong foundation in theory and practice of international finance and macroeconomic policies, and to explore emerging topics in the global economy such as currency and financial crisis, international capital flows, etc.

This course consists of six parts, (1) balance of payments, (2) foreign exchange markets, (3) international monetary system, (4) open-economy macroeconomics, (5) international financial markets, and (6) financial crisis. The course contents include analytical tools, relevant institutions, and policy problems, with primary emphasis on analysis rather than description. The course will give students a better understanding of recent development in international financial markets and global economy.

Parts (1) and (2) are devoted to the analysis of balance of payments and foreign exchange markets, for example, evolution over time and across countries, institutional and regulatory features, and efficiencies. Main topics include trade balance, current account, financial account, derivatives in foreign exchange markets, interest parity condition, purchasing power parity condition, and exchange rate determination. Part (3) consists of history of the international monetary system, fixed vs. flexible exchange rates, and alternative international monetary arrangements. Part (4) centers on the open-economy macroeconomics, analyzing how monetary and fiscal policies can affect domestic and foreign economies through current account and financial account channels. Part (5) deals with international financial markets in developed and developing countries and how firms and consumers hedge against risks in these markets. Finally, Part (6) talks about various economic and financial crises including 1997 Asian currency crisis, 2008 global financial crisis, the European debt crisis and the COVID-19 Pandemic.

Readings

The first source of readings is my lecture notes (posted on icampus). I will use parts of some textbooks such as

- ✓ Krugman, Obstfeld and Melitz, “International Economics: Theory and Policy,” Pearson.

- ✓ Levich, Richard, “International Financial Markets; Prices and Policies,” Second Edition, 2001, Irwin McGraw-Hill.
- ✓ Moffett, Stonehill and Eiteman, “Fundamentals of Multinational Finance” Pearson.
- ✓ The most relevant textbook in Korean is 김인준, 이영섭 “국제금융론” 율곡출판사

Note that these textbooks are optional and you do not need to buy them. Textbooks do not cover all the materials presented in class. You should rely on lecture notes and references that will be introduced in class. All students are encouraged to keep up with current international finance and economic issues through various journals and newspapers such as The Economist, The Wall Street Journal, The Financial Times, etc.

Course Work

Course materials will be covered through assigned readings, lectures, problem sets, and class debates. Students are expected to read the relevant chapters in the textbooks, especially assigned readings before class and participate in class discussion. Please note that class attendance is mandatory; in addition to the subject material, all information pertinent to the functioning of the class will be conveyed during the lectures, such as rescheduling of classes, review sections, etc.

Prerequisite: Intermediate Macroeconomics is REQUIRED.

Exams: There will be two exams, mid-term and final, during exam periods. There will be no make-up exams.

Attendance: no penalty up to 2 missed classes. 2 tardiness counts as 1 missed class. 3 missed classes: one notch downgrade (for example A becomes B+), 4 or more missed classes: F.

Class debate: there will be 3 or 4 in-class group debates. Topics and format of debate will be announced later in class.

Your final grade will be determined as follows:

- Mid-term (40%)
- Final (40%)
- Debate (15%)
- Problem Sets (5%)
- Attendance (as described above)

Lecture Outline

1. Introduction
2. Balance of Payments

[Week 1] Balance of Payments Accounting
[Week 2] Balance of Payments Determination

3. Foreign Exchange Markets

[Week 3, 4] Foreign Exchange Markets and Derivative Securities
[Week 5] Interest Parity Condition and Foreign Exchange Market Efficiency
[Week 6] Purchasing Power Parity Condition
[Week 7] Exchange Rate Determination

[Week 8] Mid-term

4. International Monetary System

[Week 9] History of International Monetary System and Exchange Rate Regimes

5. Open-Economy Macroeconomics

[Week 10] Basics of IS-LM-BP Models
[Week 11] Monetary and Fiscal Policies in the Open Economy

6. International Financial Markets

[Week 12] International Financial Markets and Currency Risk Management

7. Financial Crises

[Week 13] Currency and Financial Crises in the World

[Week 14, 15] Class debates

[Week 16] Final