



B.E. International Program

Faculty of Economics, Thammasat University



Course Outline

EE452 International Monetary Economics

Semester: Spring 2013 (January 8 – April 28, 2013)
Instructor: Kiatipong Ariyapruchya
Time: Tuesday and Thursday, 08.00 – 09.30.
Room: 304
Pre-requisite: EE312 Macroeconomic Theory

Course Description:

The course aims to lay down basic concepts of international monetary economics with the expectation that students will be able to analyze current events in international financial economics. It begins with an analysis of the balance of payments and its components (current account, transfer payment, capital accounts). The interconnection between balance of payments and other parts of the economy is also included. It is followed by the foreign exchange market, capital markets, and the exchange rate system. Special topics such as the Asian crisis, the global financial crisis, and the role of the Bank of Thailand will be discussed. Applications of each topic will be discussed so that students will be able to apply the concepts learned in the classroom.

Evaluation:

1. Participation (10%): Both voluntary and cold calls.
2. Midterm (35%): February 26, 2013 (08.00 - 09.30)
3. Final (55%): May 16, 2013 (13.00 – 16.00)

Topics:

1. National Income Accounting and the Balance of Payments
 - System of National Accounts
 - Balance of Payments
2. Exchange Rates and the Foreign Exchange Market: An Asset Approach
 - Exchange Rates and International Transactions
 - Foreign Exchange Market
 - Interest Rates, Expectations and Equilibrium
3. Money, Interest Rates and Exchange Rates
 - The Role of Money
 - Money Demand
 - Money Supply and Exchange Rate in the Short Run
 - Money, the Price Level, and the Exchange Rate in the Long Run

- Inflation and Exchange Rate Dynamics
- 4. Price Level and the Exchange Rate in the Long Run
 - The Law of One Price
 - Purchasing Power Parity
 - A Long-Run Exchange Rate Model Based on PPP
 - Empirical Evidence on PPP and the Law of One Price
 - A General Model of Long-Run Exchange Rate
- 5. Output and the Exchange Rate in the Short Run
 - Determinants of Aggregate Demand in an Open Economy
 - Output Market Equilibrium in the Short-Run
 - Temporary Changes in Monetary and Fiscal Policy
 - Inflation Bias
 - Macroeconomic Policy and the Current Account
- 6. Fixed Exchange Rate and FX Intervention
 - Why should we fix?
 - How the Central Bank fixed the Exchange rate?
 - Balance of Payment Crises and Capital Flight
 - Managed Floating and Sterilized Intervention
 - Other Exchange Regimes

Required Texts:

Krugman, Paul R. and Obstfeld, Maurice, *International Economics: Theory and Policy*, 8th Edition, Addison Wesley.

Selected handouts from periodicals such as *Financial Times* and *The Economist*

Optional Texts:

Levine, Richard M (1998). *International Financial Markets: Prices and Policies*, McGraw-Hill International Editions

Bhagwati, J. (1995) 'The Capital Myth: The Difference between Trade in Widgets and Dollars', *Foreign Affairs*, 77 (3), 7-12.

Calvo, G. and C. Reinhart (2002), 'Fears of Floating', *Quarterly Journal of Economics*, May, : 379-408.

Corden, W.M. (2011), 'Global Imbalances and the Paradox of Thrift', CEPR Policy Insight, Centre for Economic Policy Research No. 54: April.

Eichengreen Barry (2009), Was the euro a mistake? <http://www.voxeu.org/article/was-euro-mistake>

Kose, M.A., E. Prasad, K. Rogoff, and S. Wei (2006), 'Financial Globalization: A Reappraisal', *IMF Working Paper WP06/189*, Washington.

Fischer, S. (2001), 'Exchange Rate Regimes: Is the Bipolar View Correct?', *Journal of Economic Perspective*, 15 (2), 3–24.