



B.E. International Program

Faculty of Economics, Thammasat University



Course Outline

EE 452 International Monetary Economics

Semester:	1/2017 (August 15 – December 9, 2017)
Number of credits:	3 credits (3-0-6)
Instructor:	Assoc. Prof. Dr. Euamporn Phijaisanit Office: Room 432, 4 th Floor, Faculty of Economics Email: euamporn@econ.tu.ac.th
Class Schedule:	Wednesdays and Fridays, 08.00 – 09.30 hours
Class Room:	Room 304, Faculty of Economics

Course Description:

This course provides fundamental basis for understanding international financial economics and its application to the real world analysis. Major topics include the balance of payments and its adjustment mechanism; foreign exchange markets; exchange rate determinations, aggregate demand and aggregate supply, price levels and output and exchange rates in the short-run and the long-run; international capital flows; evolution of international monetary system; international monetary problems and financial crises encountered by developing countries, Thailand and the rest of the world. In addition, other special topics such as the roles of the central bank, current financial crises and up-to-date international macroeconomic issues will also be discussed.

Prerequisites: EE312

Course Objectives:

The course aims at laying down the basic concepts of international monetary economics so that students can understand and analyze the complexities of worldwide international finance and economic issues. It first portrays the components of the balance of payments and then goes on to explain the how it is interconnected with rest of the economy. There will be theoretical applications to the real-world scenarios for all topics.

Main Textbook:

Pugel, T. A. (2012 or later editions). *International Economics*. 5th Edition, New York: McGraw-Hill

Alternative Texts*:

Daniels, J. P. and D. D. Van Hoose (2014). *International Monetary and Financial Economics*. New Jersey: Pearson Education

Feenstra, R. and A. Taylor (2008). *International Economics*. 1st Edition, New York: Worth Publishers

*Additional readings may be assigned during the course.

Class Schedule:

Date	Topic	Readings
August 16-18	1. Payments among Nations 1.1 Overview of International Finance 1.2 Balance of Payments 1.3 Accounting Principles 1.4 Components of the Balance of Payments 1.4 Current Account Balance 1.5 Current Account Balance and Capital and Financial Account Balance 1.6 Overall Balance 1.7 International Investment Position	Main Texts: Pugel Ch 16 Alternative Texts: Daniels & Van Hoose Ch 1, 7; Feenstra & Taylor Ch.16
August 23-30	2. Foreign Exchange Market 2.1 Fundamentals and Basis of Foreign Exchange Market 2.2 Exchange Rate Systems 2.3 Arbitrage and Spot Exchange Market 2.4 Exchange Rate Risk 2.5 Fundamentals of Forward Foreign Exchange - Hedging - Speculation 2.6 International Financial Investment 2.7 International Investment with Cover - Covered Interest Arbitrage - Covered Interest Parity 2.8 International Investment without Cover) - Expected Uncovered Interest Differential (EUD) - Uncovered Interest Parity (International Fisher Effect) 2.9 Empirical Evidence of Interest Parity	Main Text: Pugel Ch 17, 18 Alternative Texts: Daniels & Van Hoose Ch 2, 3, 4, 5; Feenstra & Taylor Ch 13

September 1- 13	3. Exchange Rate Determination 3.1 Exchange Rate in the Short-run: The Asset Market Approach <ul style="list-style-type: none"> - The Role of Interest Rates - The Role of the Expected Future Spot Exchange Rate 3.2 Exchange Rate in the Short-run: Purchasing Power Parity (PPP) <ul style="list-style-type: none"> - The Law of One Price - Absolute Purchasing Power Parity - Relative Purchasing Power Parity 3.3 Exchange Rate in the Long-run: The Monetary Approach <ul style="list-style-type: none"> - Money, Price Levels and Inflation - Money and PPP Combined - The Effect of Money Supplies on an Exchange Rate - The Effect of Real Incomes on an Exchange Rate 3.4 Exchange Rate Overshooting/ Dornbusch (Sticky-Price)	Main Text: Pugel Ch 19 Alternative Texts: Daniels & Van Hoose Ch 8, 14; Feenstra & Taylor Ch.14, 15, 22
September 15-29	4. Government Policy toward Foreign Exchange Market 4.1 Rate Flexibility VS Restrictions on Use 4.2 Floating Exchange Rate 4.3 Fixed Exchange Rate 4.4 Foreign Exchange Market Intervention 4.5 Exchange Control 4.6 Experiences <ul style="list-style-type: none"> - The Gold Standard Era - Interwar Instability - The Bretton Woods Era - The Worldwide Current Systems 	Main Text: Pugel Ch 20 Alternative Texts: Daniels & Van Hoose Ch 6; Feenstra & Taylor Ch 19
October 4	Mid-term Examination	
October 11- 27	5. Macroeconomy, Internal Balance and External Balance under Fixed Exchange Regime (17-31 March) 5.1 Revision of Framework for Macroeconomic Analysis 5.2 Revision of Mundell-Fleming Model <ul style="list-style-type: none"> - Domestic Product Market (IS) - Money Market (LM) - Foreign Exchange Market (Balance of Payments) 5.3 Relationship between International Reserves and Money Supply: Implications on the Macroeconomy 5.4 Sterilization 5.5 Monetary and Fiscal Policy under Fixed	Main Texts: Pugel Ch 22, 23 Alternative Texts: Daniels & Van Hoose Ch 8, 9, 10, 11; Feenstra & Taylor Ch 18

	<p>Exchange Regime</p> <p>5.6 Perfect Capital Mobility</p> <p>5.7 Shocks to the Economy</p> <ul style="list-style-type: none"> - Internal Shocks - International Capital-Flow Shocks - International Trade Shocks <p>5.8 Imbalances and Policy Responses</p> <ul style="list-style-type: none"> - Monetary-Fiscal Mix - Changing the Exchange Rate - Timing: The J-Curve Effect 	
November 1-22	<p>6. Floating Exchange Rates and Internal Balance (31 March-21 April)</p> <p>6.1 Monetary Policy under Floating Exchange Regime</p> <p>6.2 Fiscal Policy under Floating Exchange Regime</p> <p>6.3 Shocks to the Economy</p> <ul style="list-style-type: none"> - Internal Shocks - International Capital-Flow Shocks - International Trade Shocks <p>6.4 Internal Imbalance and Policy Response</p> <p>6.5 International Macroeconomic Policy Coordination</p>	<p>Main Text: Pugel Ch 24</p> <p>Alternative Texts: Daniels & Van Hoose Ch 12 ,15; Feenstra & Taylor Ch 21</p>
November 24-December 8	<p>7. Financial Crises & International Monetary Economics Issues (26 April-12 May)</p> <p>7.1 International Lendings: Benefits and costs</p> <p>7.2 International Lending Experiences</p> <ul style="list-style-type: none"> - The Debt Crisis of 1982 - The Mexican Crisis, 1994-1995 - The Asian Crisis, 1997 - The Russian Crisis, 1998 - Argentina’s Crisis, 2001-2002 - Subprime Mortgage Crisis, 2008 <p>7.3 Elements of Financial Crises</p> <p>7.4 Rescue Packages and Moral Hazard</p> <p>7.5 Debt Restructuring</p> <p>7.6. Bank Regulation and Supervision</p> <p>7.7 Capital Controls</p> <p>7.8 Impossible Trinity Dilemma (“Trilemma”)</p> <p>7.9 Recent Issues in International Monetary Economics</p>	<p>Rosen and Gayer, chapter 7</p> <p>Main Text: Pugel Ch 21</p> <p>Alternative Texts: Daniels & Van Hoose Ch 7; Feenstra & Taylor Ch 22; Jarsulic, M. (2010) <i>Anatomy of a Financial Crisis</i>. New York: Palgrave Macmillan</p>
December 19	Final Examination	

Method of Instruction: There are total of 48 class-hours for this course or 3 hours per week. Class activities include lectures, discussions, quizzes and presentations. Students are expected to work on group presentations, and participate in class discussions.

Student Evaluation:

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| (1) Mid-term Examination | 30% [4 October 2017: 8.00-9.30] |
| (2) Final Examination | 50% [19 December 2017: 9.00-12.00] |
| (3) Quizzes/Assignments/Class participations | 20% |

Remarks:

- ◆ First semester begins August 15, 2017
 - ◆ Period of withdrawal without “W” August 15 - 28, 2017
 - ◆ **Mid-Term Examination Period** **October 2 - 7, 2017**
(EE452: Wednesday, October 4, 2017, 08.00 - 09.30 hrs.)
 - ◆ Course withdrawal with “W” October 18 - 24, 2017
 - ◆ The royal cremation ceremonies of HM the late King Bhumibol Adulyadej will be held between October 23 - 29, 2017
 - ◆ Last day of class December 8, 2017
 - ◆ **Final Examination Period** **December 12 - 24, 2017**
(EE452: Tuesday, December 19, 2017, 09.00 – 12.00 hrs.)
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