



B.E. International Program

Faculty of Economics, Thammasat University



Course Syllabus

EE 452 International Monetary Economics

Semester 2/2018 (Jan 14 – May 12, 2019)

Number of credits: 3 credits (3-0-6)

Lecture Time: Wednesdays and Fridays, 08.00 – 09.30 hours

Lecture Venue: Room 303 Faculty of Economics

Instructor: Professor Euamporn Phijaisanit, Ph.D.

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Prerequisite: EE312

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. Students are strongly encouraged to make use of modern-day internet facilities to enhance their analytical skills.

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.

Evaluation:

(1) Mid-term exam	30%
(2) Final Exam	50%
(3) Group Report/Presentation	20%

Main Textbook:

Pugel, T. A. (2012). *International Economics*. 15th Edition, New York: McGraw-Hill
(Alternatively: Pugel, T. A (2016). *International Economics*. 16th Edition , New York: McGraw-Hill or newer edition)

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
Jan 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	Main Texts: Pugel Ch 16 Alternative Texts: Daniels & Van Hoose Ch 1, 7; Feenstra & Taylor Ch.16

	<p>1.6 Overall Balance</p> <p>1.7 International Investment Position</p>	
Jan 23-Feb 1	<p>2. Foreign Exchange Market</p> <p>2.1 Fundamentals and Basis of Foreign Exchange Market</p> <p>2.2 Exchange Rate Systems</p> <p>2.3 Arbitrage and Spot Exchange Market</p> <p>2.4 Exchange Rate Risk</p> <p>2.5 Fundamentals of Forward Foreign Exchange</p> <ul style="list-style-type: none"> - Hedging - Speculation <p>2.6 International Financial Investment</p> <p>2.7 International Investment with Cover</p> <ul style="list-style-type: none"> - Covered Interest Arbitrage - Covered Interest Parity <p>2.8 International Investment without Cover)</p> <ul style="list-style-type: none"> - Expected Uncovered Interest Differential (EUD) - Uncovered Interest Parity (International Fisher Effect) <p>2.9 Empirical Evidence of Interest Parity</p>	<p>Main Text: Pugel Ch 17, 18</p> <p>Alternative Texts: Daniels & Van Hoose Ch 2, 3, 4, 5; Feenstra & Taylor Ch 13</p>
Feb 6-15	<p>3. Exchange Rate Determination</p> <p>3.1 Exchange Rate in the Short-run: The Asset Market Approach</p>	<p>Main Text: Pugel Ch 19</p> <p>Alternative Texts: Daniels & Van Hoose Ch 8, 14; Feenstra</p>

	<ul style="list-style-type: none"> - The Role of Interest Rates - The Role of the Expected Future Spot Exchange Rate <p>3.2 Exchange Rate in the Short-run: Purchasing Power Parity (PPP)</p> <ul style="list-style-type: none"> - The Law of One Price - Absolute Purchasing Power Parity - Relative Purchasing Power Parity <p>3.3 Exchange Rate in the Long-run: The Monetary Approach</p> <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 <p>3.4 Exchange Rate Overshooting/ Dornbusch (Sticky-Price)</p>	<p>& Taylor Ch.14, 15, 22</p>
<p>Feb 20-Mar 1</p>	<p>4. Government Policy toward Foreign Exchange Market</p> <ul style="list-style-type: none"> 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 - The Gold Standard Era 	<p>Main Text: Pugel Ch 20</p> <p>Alternative Texts: Daniels & Van Hoose Ch 6; Feenstra & Taylor Ch 19</p>

	<ul style="list-style-type: none"> - Interwar Instability - The Bretton Woods Era - The Worldwide Current Systems 	
Mar 6	Mid-term Examination	
Mar 13-22	<p>5. Macro economy, Internal Balance and External Balance under Fixed Exchange Regime</p> <p>5.1 Revision of Framework for Macroeconomic Analysis and Circular Flows</p> <p>5.2 Revision of Mundell-Fleming Model</p> <ul style="list-style-type: none"> - Domestic Product Market (IS) - Money Market (LM) - Foreign Exchange Market (Balance of Payments) <p>5.3 Relationship between International Reserves and Money Supply: Implications on the Macro economy</p> <p>5.4 Sterilization</p> <p>5.5 Monetary and Fiscal Policy under Fixed 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 	<p>Main Texts: Pugel Ch 22, 23 and extra handouts</p> <p>Alternative Texts: Daniels & Van Hoose Ch 8, 9, 10, 11; Feenstra & Taylor Ch 18</p>

<p>Mar 27-Apr 5</p>	<p>6. Floating Exchange Rates and Internal Balance</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>
<p>Apr 10-May 10</p>	<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>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;</p> <p>Jarsulic, M. (2010) <i>Anatomy of a Financial Crisis</i>. New York: Palgrave Macmillan</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>7.10 Current Policy Discussions</p> <p>7.11 Group Report/Presentation</p>	
May 27	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 and presentations. Students are expected to read before the class, work on group presentations, and participate in class discussions

Expected Learning Outcomes:

1. Morality and Ethics

Applicability	Learning Goals	Expected Learning Outcomes
●	1.1 Students demonstrate integrity.	
○	1.2 Students prioritize social and public benefits over personal ones.	
●	1.3 Students are punctual and comply with the code of conduct of the institution and society at large.	
●	1.4 Students are responsible and accountable to society, the nation, and the subject of economics.	
○	1.5 Students realize the cultural and environmental value of the sustainable society.	

2. Knowledge

Applicability	Learning Goals	Expected Learning Outcomes
●	2.1 Students know and understand modern economics principles and theories, and are up to date with new developments.	
●	2.2 Students know and understand Thai and global economic structure, and the importance of major international economic events.	
●	2.3 Students know and understand instruments of economic analysis.	
○	2.4 Students know and understand applied fields in economics, including monetary, public, international, business, natural resource and environmental, industrial, agricultural, cooperative, political, developmental, and entrepreneurial economics as well as agribusiness.	
○	2.5 Students are informed about related fields including sociology, business administration, education, law policy, and science.	

3. Intellectual Development

Applicability	Learning Goals	Expected Learning Outcomes
●	3.1 Students have developed individual critical thinking.	
●	3.2 Students are sufficiently trained in research skills.	
●	3.3 Students demonstrate an ability to analyze and synthesize data, as well as appropriately integrate economics concepts to understand causes of current economic problems in Thailand. Based on analysis and synthesis, students demonstrate an ability to propose policy guidelines to resolve problems.	

4. Interpersonal Skills and Responsibilities

Applicability	Learning Goals	Expected Learning Outcomes
●	4.1 Students are responsible for assigned tasks and work in groups effectively.	
●	4.2 Students have problem-solving skills.	
●	4.3 Students show leadership skills and team spirit.	
●	4.4 Students are always improving themselves.	
●	4.5 Students have good interpersonal skills, adapting and working under different conditions.	

5. Quantitative Analysis, Communication and Information Technology

Applicability	Learning Goals	Expected Learning Outcomes
○	5.1 Students select and apply appropriate statistical and mathematical methods for data processing, interpretation, conclusions, and recommendations to resolve problems.	
●	5.2 Students communicate effectively and select appropriate presentation methods.	
●	5.3 Students use information and communication technologies appropriately to gather data as well as process, interpret, and present results.	

Remarks:

- ◆ **Mid-Term Examination** (Wednesday, March 6, 2019, 09.00 - 11.00 hrs.)
- ◆ **Final Examination** (Monday, May 27, 2019, 09.00 – 12.00 hrs.)