

EC392 Summer 2009, Boston University CAS

International Finance

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1 General Information

- Class hour: 1:00pm-3:30pm, Monday, Tuesday, Wednesday
- Classroom: Room 204A, College of Arts and Sciences (CAS), 685-725 Commonwealth Avenue
- Course web site: <http://courseinfo.bu.edu/courses/09sum2casec392sb1/>

2 Contact (Instructor)

- Office address: Room B3B, (Basement) School of Social Work (SSW), 264 Bay State Road
- Tel: 617-353-5689
- E-mail: tasonuma@bu.edu (Please write EC392 at the beginning of the subject line)
- Office hour: Monday, Wednesday 3:30-5:00

3 Course outline:

The course is designed for the undergraduate students, who are interested and majoring in Economics. The goal of this course is to develop some concepts and tools, in a rigorous manner, for understanding and analyzing questions related to international finance. Topics include the balance of payments, balance of payment adjustments, theories of exchange rate determination, and case studies in international economic policy. After taking this course, you are expected to be able to

1. Analyze the international finance issues with the use of graphs and/or mathematical models.
2. Explain and present your arguments and conclusions built from graphs and mathematical models by words

Due to the subject matters, the discussion will be quite abstract and conceptual. If you feel you may be inadequately prepared, I encourage you to consider taking this course in the future, and please feel free to talk to me on this.

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4 Lecture Format:

Lecture will be conducted through the talks based on lecture notes. Lecture notes will be posted before every lecture. However, you are encouraged to make your own notes and explanations based on my presentation and the lecture notes for the materials covered. When making your own note, you just need to summarize the **ideas** and the logical structures that links the arguments (in your own words). Making your own notes can help you think through the lecture materials, which is the most important part in the learning process.

5 Topics to be covered:

The following topics will be covered in this course (Chapter from the textbook):

1. National Income Accounting and the Balance of Payments (Ch12)
2. Exchange Rate in the Short-run (Ch13, Ch14, Ch16)
3. Exchange Rate in the Long-run (Ch15)
4. Fixed Exchange Rate and Foreign Exchange Intervention (Ch17)
5. Floating Exchange Rate Regimes (Ch19)
6. International Monetary System (Ch18)
7. Optimal Currency Area (Ch20)
8. Global Capital Market and Developing Countries (Ch21 and Ch22)

Depending on the general class progress, special topic may be skipped.

6 Prerequisites:

Intermediate level of Macroeconomics (EC202/EC212 taking from Boston University or equivalent level of course if you took from other college/university) is **MUST**. You should be familiar with the analysis of diagrams with two (or more) curves and the difference between shift of a curve and movement along a curve. Good knowledge of high school algebra (feels comfortable and being able to solve simultaneous equation system, solve quadratic equation, interpreting graphs) is **NECESSARY**. Knowledge of calculus and difference-equation are **NOT** required but will be helpful in learning some advance topic later in the course. Please let me know if you have difficulty in meeting any of these requirements.

7 Textbook:

The following textbook is **REQUIRED**:

- Title: International Economics, 8th Edition
- Author: P. Krugman and M. Obstfeld
- Publisher: Pearson Publishers
- ISBN-13: 978-0-3-2148883-1

Textbook should be available in BU bookstore.

8 Attendance Requirement:

You are required to attend and stay until end of class in ALL lectures on the scheduled days. Missing, being late or leave earlier in total 5 classes or more will result in zero grade of attendance. This policy will be strictly enforced with No exception. If you have any travel plan and/or other responsibility during the term, please plan your travel and/or working schedule accordingly. If there is no way to resolve schedule conflict, please drop out from this class. Going to work is not an excuse of missing class, late for class or leave earlier for class.

ONLY certified medical reasons will be accepted for missing, being late or leave earlier in class. You MUST present a proper medical certificate from a certified medical doctor. The certificate must have the contact of the doctor, the name and contact of his clinic/hospital. The receipt from our clinic will NOT be accepted.

Family EMERGENCY will be granted with proper documents. Family events including, but not limited to, wedding is definitely NOT an emergency as you should know the date in advance.

There are one **mid-term exam (Wed. July 15th)** and one **final exam (Wed. August 5th)**.

9 Grading and Policies:

Final examination is cumulative but emphasis will be on the last part of the course. Exams **MUST** be taken on the above date and completed in **permanent ink**. I will return the graded mid-term on next class (July 19th) and complaints about the grading must be made on the day during my office hours. **Complaints about grading will be considered only if you received almost no credit and you think you deserve almost full credit.**

You final course grade is based on

- (A) Final exam (40%),
- (B) Mid-term (35%),
- (C) Homework (20%) and
- (D) Class Attendance (5%)

Each item is graded based on 100pt scale. Your letter grade will be determined according to the following table.

Final course grade range	Letter grade
94-100	A
90-93	A-
81-89	B+
75-80	B
71-74	B-
65-70	C+
60-64	C
55-59	C-
50-54	D
below and equal to 49	F

10 Homework:

You will be assigned to solve problem sets during the semester. The solving the problem sets is most important way to learn the materials taught in the class. You can work in group if you prefer, but

you must hand in your own solutions. I will grade your assignments and return them shortly. As mentioned above, homework accounts 20% of the course grade. If you have any questions concerning assignments, **please contact me in my office hours. Complaints about grading will be considered only if you received almost no credit and you think you deserve almost full credit.**

11 Make-up Exam Policy:

Rules for taking make-up exam are identical to the rules for having legal absence. Make-up mid-term is scheduled either on Thursday July 16th or Friday July 17th. Make-up final exam is scheduled on Thursday August 6th or Friday August 7th. Due to the condensed schedule, it is impossible to schedule another time for taking make-up exam.

12 Academic conduct:

It is YOUR responsibility to read, know and understand the provisions of the CAS Academic Conduct Code. Copies are available in the building of CAS Room 105. Students caught cheating or otherwise violating the rules of academic conduct will receive a zero final course grade. I will refer ALL cases of suspected academic misconduct, including but not limited to cheating, to the Dean's Office, with No exception.

13 Course schedule:

Date	Topic	Reading	Notes
6/29	Introduction + Review of closed economy		
6/30	Ch12: National Income	Ch12	
7/1	Ch13: Exchange rates and foreign exchange market	Ch13	
7/6	Ch14: Money and Exchange rate (#1)	Ch14	HW1 is due.
7/7	Ch14: Money and Exchange rate (#2)		
7/8	Ch16: Output and exchange rate in the short-run	Ch16	
7/13	Ch15: Exchange rate in the long-run	Ch15	HW2 is due.
7/14	Review Session		
7/15	Mid-term Exam		
7/20	Ch17: Fixed Exchange Rate	Ch17	
7/21	Ch19: Floating Regime	Ch19	
7/22	Ch18: International Monetary System	Ch18	
7/27	Ch20: Optimum currency area	Ch20	HW3 is due.
7/28	Ch21: Global capital market	Ch21	
7/29	Ch22: Developing countries	Ch22	
8/3	Supplement class		HW4 is due.
8/4	Review Session		
8/5	Final Exam		