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School of Diplomacy and International
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Spring 2016

DIPL 4556 Financial Aspects of International Relations

Patricia Nemeth PhD
Seton Hall University

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SETON HALL UNIVERSITY
School of Diplomacy and International Relations
400 South Orange Avenue, South orange, NJ 07079

DIPL 4556
Financial Aspects of International Relations (Duffy Hall 82)

Wednesdays 11:00 am – 1:30 pm

Syllabus: Spring 2016

Dr. Patricia Nemeth

Email: patricia.nemeth@shu.edu

Office Hours: By appointment only (732-318-0055)

Course Description:

This course provides an overview of international financial economics and open economy macro. Topics include gains from financial integration, determinants of exchange rates, macroeconomic policy and exchange rate regime choice. Furthermore, the course prepares students to investigate how societies and politics create and structure a market economy at the national and global levels. The aim is that students become familiar with the fundamental concepts and evolutions of debates surrounding financial aspects of international relations. In addition, emphasis will be placed toward the increased basic competence and confidence in discussing and utilizing various skills i.e. proficiency with numbers and measures, confidence and competence in the graphical interpretation and ability to evaluate and synthesize quantitative information accurately. Throughout the course, various exercises will be presented in order to gain confidence and competence in numerical calculations and problem solving.

Course Reading:

Required Textbook: Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz, *International Economics: Theory and Policy*, 2012 (9th Edition). ISBN-13: 978-0-13-214665-4

Additional Readings: Book Chapters, Scholarly Articles will be posted on Blackboard.

In addition, it is highly recommended that students read the daily newspapers i.e. The Financial Times, The Wall Street Journal, The Economist and The New York Times in order to be knowledgeable about the major global issues.

Course Requirements and Work Assignments:

Policies on Attendance, Participation and Classroom Behavior:

Students are expected to arrive on-time and attend all class meetings as scheduled. Excessive absences may result in a diminished grade for the course (four or more, unexcused). Students who know they will be absent for a class session should alert the professor in advance. Students are responsible for work they have missed while absent from class.

Students are required to participate in classroom group activities. The assigned readings are the basis of discussion for each class session. These will be calculated into the final grade as participation. These activities are designed to accomplish several objectives: Providing students with a better understanding of the course material by giving them practical exercises, helping those students who may have problems with the course material; and helping students to review and prepare for the midterm and final examinations.

Students are expected to turn off or place on vibrate all cell phones and noise making electronic devices. If an emergency arises and you must take a call, please step outside of the classroom.

Students are strongly encouraged to speak with the instructor whenever there is a problem. It is up to the student to define what constitutes a problem, regarding: difficulty with the reading assignments, attendance, a personal emergency- whatever it may be but, please do not delay in bringing it to the instructor's attention. You may see me by making an appointment or by calling the above telephone number.

Midterm Examination:

The midterm will cover materials from the first part of the semester.

Final Examination:

The final examination will cover the entire course with more weights on the second part of the semester.

Professional Communication and Email:

Students are required to use SHU email for this class. All communication will be sent to the students' SHU email via Blackboard. **Please ensure that your mailbox is not full to accept the emails sent.** Please use the following communication pathways to contact me:

Email: patricia.nemeth@shu.edu or nemethp@un.org (in case the SHU email account is not operational) I will make every effort to respond to the email as soon as I can. Please indicate the course number (**DIPL 4556**) as well as the issue in the subject box.

Individual Assignments:

Individual assignments will include essay questions, multiple choice and short problem solving exercises (emphasis on proficiency with numbers) concerning the given class material. The assignment will be posted on Blackboard. Please note that late assignments will be marked down each day that they are handed-in late (**half a grade each day -15=14.5, 14.5=14, etc.**).

Grading Criteria:

Individual performance will be measured by the following:

- a) Attendance/Participation - 10%
- b) Five Quizzes (10 points each) – 15%
- c) Two Individual Assignments (15 points each) – 10%
- d) Midterm Exam – 30%
- e) Final Exam – 35%

Grading Scale:

100% - 92%	A
91% - 90%	A-
89% - 88%	B+
87% - 82%	B
81% - 80%	B-
79% - 78%	C+
77% - 72%	C
71% - 70%	C-
69% - 68%	D+
67% - 60%	D
59% - :	F

University Policy on Plagiarism:

Plagiarism and other forms of academic dishonesty will be reported to the administration and may result in a lowered or failing grade for the course and up to possible dismissal from the School of Diplomacy.

See university and school standards for academic conduct here:

<http://www.shu.edu/offices/student-life/community-standards/community-standards.cfm>

<http://www.shu.edu/academics/diplomacy/academic-conduct.cfm>.

Americans with Disabilities Act (ADA) Policies

Under the Americans with Disabilities Act and Section 504 of the Civil Rights Restoration Act, students at Seton Hall University who have a disability may be eligible for accommodations in this course. Should a student require such an accommodation, he or she must self-identify at the Office of Disability Support Services (DSS), Room 67, Duffy Hall, provide documentation of said disability, and work with DSS to develop a plan for accommodations. The contact person is Ms. Diane Delorenzo at [\(973\) 313-6003](tel:9733136003).

COURSE SCHEDULE

Weekly Topics, Readings and Assignments

Sessions	Topic	Assignments	Learning Objectives
January 13	Introduction		Review the syllabus as well as the main aspects of the course.
January 20	Financial Globalization: Opportunity and Crisis.	<u>Required Reading:</u> Ch. 21	Factors leading to the explosive recent growth of international financial markets. Understand the factors leading to the worldwide financial crisis that started in 2007. Evaluate the performance of the international capital market in linking the economies of the industrial countries.
January 27		Library Session: Individual Assignment I. Posted on Blackboard <i>Due:</i> January 27 at 8 pm via Blackboard	
February 3	Controversies in Trade Policy	<u>Required Reading:</u> Ch. 12 <i>Additional Reading:</i> Settling Disputes – World Trade Organization (Blackboard)	The role of the World Trade organization (WTO) as a forum for resolving trade disputes and the tension between the rulings of the WTO and individual national interests. The key issues in the debate over trade policy and the environment.

February 10	Ash Wednesday Mass at noon (partial class) 12 pm – 1pm (classes cancelled)	Library Session: Individual Assignment II. Posted on Blackboard <i>Due:</i> February 10 at 8 pm via Blackboard	
February 17	National Income Accounting and the Balance of Payments	<u>Required Reading:</u> Ch. 13 <i>Additional Reading:</i> EU Commission, IMF, Organization for Economic Co-operation and Development, United Nations, World Bank: System of National Accounts 2008 (United Nations 2009) Ch. 1. Introduction (Blackboard) Quiz#1	The concept of the current account balance. Describe the balance of payments accounts and explain their relationship to the current account balance.
February 24	Exchange Rates and the Foreign Exchange Market: An Asset Approach	<u>Required Reading:</u> Ch. 14 <i>Additional Reading:</i> The Basics of Foreign Trade and Exchange (Ch. 4 – Foreign Currency Exchange) Blackboard Quiz#2	Relate exchange rate changes to changes in the relative prices of countries' exports. Describe the structure and functions of the foreign exchange market. Find the effects of interest rates and expectation shifts on exchange rates.
March 2	SPRING BREAK – No class		
March 9	Money, Interest Rates and Exchange Rates Midterm exam review	<u>Required Reading:</u> Ch. 15	Describe and discuss the national money markets in which interest rates are determined. Show how monetary policy and interest rates feed into the foreign exchange market.
March 16	MIDTERM EXAM		
March 23	Price Levels and the Exchange Rate in the Long Run	<u>Required Reading:</u> Ch. 16 <i>Additional Reading:</i> James E. Anderson and Eric van Wincoop, "Trade Costs." Journal of Economic Literature 42 (September 2004) pp. 691-	The purchasing power parity theory of exchange rates and the theory's relationship to international goods-market integration. How monetary factors such as ongoing price level inflation affects exchange rates in the long run.

		751. Comprehensive survey of the nature and effects of costs of international trade (Blackboard)	
March 30	Output and the Exchange Rate in the Short Run	Required Reading: Ch. 17 Quiz#3	The role of the real exchange rate in determining the aggregate demand for a country's output. Understand how monetary and fiscal policies affect the exchange rate and national output in the short run.
April 6	Fixed Exchange Rates and Foreign Exchange Intervention	Required Reading: Ch. 18 Quiz#4	How a central bank must manage monetary policy so as to fix its currency's value in the foreign exchange market. Causes and effects of balance of payments crises.
April 13	International Monetary Systems: An Historical Overview	Required Reading: Ch. 19 <i>Additional reading:</i> Andrew C. Sobel: International Political Economy in Context: Individual Choices, Global Effects (Ch. 11) (Blackboard)	How the post-World War II Bretton Woods system of globally fixed exchange rates was designed to combine exchange rate stability with limited autonomy of national macroeconomic policies. How the goals of internal and external balance motivate economic policy makers in open economies.
April 20	Optimum Currency Areas and the European Experience	Required Reading: Ch. 20 <i>Additional Reading:</i> Kathryn M. E. Dominguez. "The European Central Bank, the Euro and Global Financial Markets." Journal of Economic Perspectives 20 (Fall 2006). Pp. 67-88. Review of ECB policies and the euro's global role (Blackboard) Quiz#5	Why Europeans have long sought to stabilize their mutual exchange rates while floating against the U.S. dollar. How the European Union, through the Maastricht Treaty of 1991, placed itself on the road to having a single currency, the euro, issued and managed by a European System of Central Banks (ESCB).
April 27	Developing Countries: Growth, Crisis and Reform Final Exam Review	Required Reading: Ch. 22 <i>Additional Reading:</i> The Financial and Economic Crisis of 2008-2009 and Developing Countries (United Nations, 2010) pp. 203-221 (Blackboard)	Summarize the major economic features of developing countries. Proposed measures to enhance poorer countries' gains from participation in the world capital market. Recount the recent history of developing-country currency crises and financial crises.
May 4	FINAL EXAM		