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Spring 2014

DIPL 4556 Financial Aspects of International Relations

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DIPL 4556: Financial Aspects of International Relations
John C. Whitehead School of Diplomacy & International Relations Seton Hall University
Spring 2014 Syllabus

Administrative Information

Schedule: Tuesday/Thursday 2:00 am - 3:15 pm at Duffy Hall 82 (DIPL4556AA)
Tuesday/Thursday 3:30 pm - 4:45 pm at Duffy Hall 82 (DIPL4556AB)
Instructor: Yui Suzuki
Office: McQuaid Hall 101C
Office Hour: Tuesday/Thursday 12:30 pm–2pm or by appointment
E-mail Address: Yui.Suzuki@shu.edu
Grading: Attendance/Participation 10%; Midterm Exam 30%; Final Exam 60%

Course Description (Summary and Objectives):

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, exchange rate regime choice, and currency crisis. After taking this course, you will be familiar with the fundamental concepts and evolutions of debates surrounding financial aspect of international relations.

Besides providing a good knowledge of the subjects, I set a goal of building numeracy and critical thinking proficiencies in my teaching. The goal of academic education is to fully develop the students in terms of both knowledge and practical ability, and numeracy and critical thinking are indispensable in the context of the latter. For this end, I play up scholarly bases and rigorousness of discussion for academic courses. In economics, theories are presented by mathematical frameworks called theoretical models. Only with the language of mathematics, we can formulate relationships in a theory, elucidate assumptions and implications about complex subjects, and understand the mechanisms that the implications are derived with clarity, generality, rigor, and simplicity. Informal presentation only in words does not express them adequately and effectively. Therefore, I follow this norm in my teaching.

Specifically, I spend time in presenting careful and detailed introductions of the technical bases of important models. Then, I demonstrate how these models work and show how we can derive implications using various instruments including figure, table, graph, and algebra. This process affords competence in numerical calculation and graphical interpretation as well as the ability to evaluate quantitative information accurately. Furthermore, understanding or, at least, touching upon the rigor of the concepts and models helps students acquire the skill of critical thinking. To think critically is to think clearly and rationally about the subject matter under consideration. It starts by identifying assumptions required to derive conclusions, and then we analyze and evaluate their adequacy and appropriateness. I believe this process increases your analytical skills and paves the way for intellectual interaction in the real world.

Course Prerequisites:

This course requires good understanding of basic theories of micro and macro economics. Although I do not designate specific courses as prerequisites, it generally makes sense to take this course after you finish ECON 1402 and 1403 (Principles of Economics I and II). The theoretical models we will use are mathematical in nature, but most of them are quite simple understood graphically.

Course Reading:

I provide all the lecture notes (PowerPoint slides) throughout the course for your convenience. This is to encourage you to prepare for the classes and actively participate in the class discussions. Topics are largely in line with the required main textbook for this class:

Paul Krugman, Maurice Obstfeld, and Marc Melitz, *International Economics: Theory and Policy*, latest edition, Prentice Hall (ISBN-10: 0132146657).

Students may use earlier editions of the textbook (though be aware that chapter numbering may have changed across editions). This is a nice book providing both theory and its application to policy analysis. I assume that you read relevant chapters of the textbook before or after the class depending on your learning style. Remember that PowerPoint slides are not the substitute for the textbook reading.

Course Requirements:

Midterm and Final Exam: Exams are in-class on March 6 (midterm exam) and May 1 (final exam). It is your responsibility to take these exams on the dates, and there is no make-up for the exams. Both are closed-book exams, but you may bring in a piece of letter size paper (I do not want you to spend time for rote memorization). Midterm exam covers first half of the course (slide(1) to (7)) and final exam covers entire course with more weights on the second half. If there is a dispute over the grade you receive on exams, I will be happy to reconsider your grade but I reserve the right to re-grade the entire exam.

Class Participation: Your attendance to all classes is mandatory. I take attendance and it determines 10% of course grade. Indeed, I believe that attending class means more than 10%. If you fail to attend class regularly, you will need to pay really high cost to catch up before exams. As a safety net for possible unavoidable absences, I will ignore first four absences in a semester (roughly once a month). Instead, I will not consider excuses for individual absences (so you do not need to e-mail me when you miss a class). I believe you are mature enough to plan ahead and manage your schedule by yourself. This rule does not apply to unforeseeable and unavoidable long absences from the university lasting more than weeks such as due to hospitalization. I will consider such excuse upon receiving appropriate documentation.

Code of Conduct: The usual rules of polite behavior apply—activities which disturb other students and instructor are not acceptable. This includes late arrival, early departure, and conversation during class. The use of computer and other electronic devices (e.g. ipod, ipad, cell phone...) is prohibited in this class. It is rude and disruptive to be checking your e-mail, surfing the web, or instant messaging when you are supposed to be participating in the class activities. You must turn off or mute these devices before the class starts. I reserve a right to regard those who fail to follow these rules as absences.

Problem Set: I provide problem sets. This is to support your studying and enhance your understanding of the course materials. I strongly encourage you to try these problem sets. If you submit your answer sheets, I am happy to grade them and discuss when needed.

E-mail and Office Hours:

You are welcome to send an e-mail to me. Please make sure that the subject starts by course number (e.g. DIPL4556: question about UIP and CIP) so that I can distinguish your e-mail from spams. In general, I check my email regularly and try my best to reply within 24 hours. I may urge you to come to office hours when I find it more make sense to reply in face. Office hours are not simply “pro-forma”; personally, I get a lot more satisfaction out of teaching when I have a chance to talk to students. For you, office hours can be very useful to hash out specific questions; to clarify concepts that remain a bit hazy; and to discuss ideas for extending the material in class to what is going on in the world. If the scheduled times do not work, e-mail me and I’ll be happy to set new ones.

Course Grade:

I will reflect both absolute and relative evaluations in determining course grades. When I judge it necessary, I transform raw scores to curved scores for grading purpose using class averages and standard deviations (so it is relative evaluation). It is a statistical treatment, and so there is no discretion at individual level in this process. I usually set the average at 80 in undergraduate courses,

however, it can be higher when entire class does well (so it is absolute evaluation).

$$\text{your curved score} = \frac{10(\text{your raw score} - \text{class average})}{\text{class standard deviation}} + 80 \text{ (or higher)}$$

The course grade is assigned based on the weighted average of the (standardized) scores of the exams and class participation. Note that no opportunity to make up low score(s) in exams and/or attendance (e.g. report assignment; retest) will be provided. The cutoffs are as below. I reserve the right to lower the cutoffs but not to raise them.

Grading Scale:

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

If you believe you need an accommodation for a disability, please let me know at your earliest convenience. As soon as you make me aware of your needs, we can work with the Office of Disability Support Service to determine appropriate accommodations. I will treat any information you provide as private and confidential.

Tentative Class Schedule:

	Date	Topic	textbook
1	01/14/2014 (Tuesday)	(1) Introduction	Ch.1
2	01/16/2014 (Thursday)	(2) Gain from International Capital Market International Financial Integration	Ch.21
3	01/21/2014 (Tuesday)	(2) Gain from International Capital Market International Financial Integration	Ch.21
4	01/23/2014 (Thursday)	(3) Accounting– National Income and Balance of Payment	Ch.12
5	01/28/2014 (Tuesday)	(3) Accounting– National Income and Balance of Payment	Ch.12
6	01/30/2014 (Thursday)	(4) Exchange Rates and the Foreign Exchange Market: Asset Approach (UIP and CIP)	Ch.13
7	02/04/2014 (Tuesday)	(4) Exchange Rates and the Foreign Exchange Market: Asset Approach (UIP and CIP)	Ch.13
8	02/06/2014 (Thursday)	(5) Money, Interest Rates, and Exchange Rates	Ch.14
9	02/11/2014 (Tuesday)	(5) Money, Interest Rates, and Exchange Rates	Ch.14
10	02/13/2014 (Thursday)	(6) Purchasing Power Parity and Law of One Price	Ch.15
11	02/18/2014 (Tuesday)	(7) Price Levels and the Exchange Rate in the Long Run: Monetary Approach and Real Interest Parity	Ch.15
12	02/20/2014 (Thursday)	(8) Current Account and Exchange Rates	Ch.16
13	02/25/2014 (Tuesday)	(9) Effects and Implications of Macroeconomic Policies Monetary and Fiscal Policy	Ch.16
14	02/27/2014 (Thursday)	(9) Effects and Implications of Macroeconomic Policies Monetary and Fiscal Policy	Ch.16
15	03/04/2014 (Tuesday)	(10) Fixed Exchange Rates and Foreign Exchange Interventions	Ch.17
16	03/06/2014 (Thursday)	Midterm Exam (in-class)	
	03/11/2014 (Tuesday)	No Class – Spring Break	
	03/13/2014 (Thursday)	No Class – Spring Break	
17	03/18/2014 (Tuesday)	(11) Exchange Rate Policies and Regime Choices	Ch.18&19
18	03/20/2014 (Thursday)	(11) Exchange Rate Policies and Regime Choices	Ch.18&19
19	03/25/2014 (Tuesday)	(15) Optimal Currency Area and Euro	Ch. 20
20	03/27/2014 (Tuesday)	(15) Optimal Currency Area and Euro	Ch. 20
21	04/01/2014 (Thursday)	(12) International Capital Markets for Developing Countries	Ch. 22
22	04/03/2014 (Tuesday)	(13) Currency Crisis– model	
23	04/08/2014 (Thursday)	(13) Currency Crisis– model	
24	04/10/2014 (Tuesday)	(13) Currency Crisis – model	
25	04/15/2014 (Thursday)	(14) Currency Crisis – examples Latin American Debt Crisis (1980s)	
	04/17/2014 (Thursday)	No Class (Holly Thursday)	
26	04/22/2014 (Tuesday)	(14) Currency Crisis - examples Tequila Crisis (1994-95)	
27	04/24/2014 (Thursday)	(14) Currency Crisis - examples East Asian Crisis (1997-98)	
28	04/29/2014 (Tuesday)	(14) CurrencyCrisis – examples Russian Crisis (1998) and Argentine Crisis (2002)	
29	05/01/2014 (Thursday)	Final Exam (in-class)	