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School of Diplomacy and International
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Summer 2009

DIPL 4556/6156 (Advanced) Financial Aspects of International Relations

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DIPLOMA 4556&6156: (Advanced) Financial Aspects of International Relations
John C. Whitehead School of Diplomacy & International Relations Seton Hall University
Summer 2009 Syllabus (Course Information and Reading Assignments)

Administrative Information

Schedule: Monday-Friday 6:30–9:00 pm at Alfieri Hall 123
Instructor: Yui Suzuki
Office: McQuaid Hall 101C
Office Hour: By Appointment
E-mail Address: yui.suzuki@shu.edu
Grading: Final Exam 70%; Homework 30%(@10%) (DIPLO4556)
Final Exam 70%; Course Project 30% (DIPLO6156)

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.

The goal of this course is beyond acquiring factual knowledge. I expect that you will understand important concepts including their grounds and bases, which is a good training to improve your analytical skills. While fragmented knowledge is easily forgotten after the semester, well-grounded discussions tend to be firmly established in our minds. My hope is that you will be equipped with solid tools to explain your opinion on issues related to international capital markets and policy measures to be taken under the globalization in various opportunities.

Course Prerequisites:

Although I do not designate specific courses as prerequisites, this course requires good understanding of basic theories of micro and macro economics (principles of economics).

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 and Maurice Obstfeld, International Economics: Theory and Policy, latest edition, Addison-Wesley publishers.

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.

I also introduce relevant newspaper/magazine articles mostly from "The Economist". The article list will be available at course web site. This is a good opportunity to consider how the fundamental concepts are related to real world economy through those articles.

Course Requirements:

Final Exam: Final exam is in-class on June 1 (last class day). It is your responsibility to take the final exam on this date, and there is no make-up for the exam. It is a closed-book exam covering the full course. If there is a dispute over the grade you receive on exam, I will be happy to reconsider your grade but I reserve the right to re-grade the entire exam.

Course Project (DIPLO6156): You will write a brief report for your analysis on the recent

macroeconomic development, challenges, and policy recommendation in your favorite country. The report is due on June 4 (Thursday). I will not accept late submission after the due dates. If there is a dispute over the grade you receive on course project, I will be happy to reconsider your grade but I reserve the right to re-grade the entire course project. I will provide further directions and suggestions for this assignment.

Homework (DIPL4556): I will provide homework every Thursday which is due on next Monday. This is to review (some of) the important topics covered in the class. I will not accept late submission after the due dates. If there is a dispute over the grade you receive on homework, I will be happy to reconsider your grade but I reserve the right to re-grade the entire homework.

Class Participation: Participation in class discussion is highly recommended. I do not take attendance and so there is no explicit penalty for the absence. However, you will need to pay high cost to catch up before the exam, if you do not attend class regularly.

Problem Set: I provide problem sets with answers. This is to support your studying the course materials. Make sure you grasp the points of the questions, since you will see similar (if not the same) questions in the exams. I strongly encourage you to try the problem sets regularly in advance of the exams. If you need more questions, try relevant end-chapter problem sets from the textbook. I will provide the suggested answers.

E-mail and Office Hours:

In general, I check my email regularly and try my best to reply within 24 hours. However, I may urge you to come to office hours when I find it more make sense to reply in person. 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, email 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 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).

$$\text{your curved score} = \frac{10(\text{your raw score} - \text{class average})}{\text{class standard deviation}} + 80/85 \text{ (or higher)}$$

The course grade is assigned based on the weighted average of the (curved) scores of the items (i.e. Homework and Final Exam for DIPL4556 and Final Exam and Course Project for DIPL6156). Note that no opportunity to make up low score(s) in exams and/or quizzes (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:

Undergrad Course

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				

Graduate Course

90%-100%: A	87%-89%: A-	84%-86%: B+	74%-83%: B	72%-73%: B-
70%-71%: C+	60%-69%: C	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.

Caveat as a Summer Semester Course: The course requirements are compatible with the courses in regular semesters under the same title. However, we finish the topics in three weeks, instead of four months. Meeting every business day in class (instead of one or twice a week) does not suffice to make this happen – you also need to pay efforts outside the class to digest the materials. Do not wait to ask me a question until several days before the exam. Since topics are linked each other, failing to understand one topic may lead to greater trouble later. Feel free to talk to me before, during and after the class.

Tentative Class Schedule:

	date	Topic	textbook
1	05/12/09 (Tuesday)	(1) Basic Trade Model Comparative Advantage and Ricardian Model	Ch. 3
2	05/13/09 (Wednesday)	(2) Gain from International Capital Market (3) Accounting – National Income and Balance of Payment	Ch. 3 Ch. 12
3	05/14/09 (Thursday)	(4) Exchange Rates and the Foreign Exchange Market: Asset Approach (UIP and CIP) (5) Money, Interest Rates, and Exchange Rates International Financial Integration	Ch. 13 Ch. 14
4	05/18/09 (Monday)	(6) Purchasing Power Parity and Law of One Price (7) Price Levels and the Exchange Rate in the Long Run: Monetary Approach and Real Interest Parity	Ch. 15
5	05/19/09 (Tuesday)	(8) Current Account and Exchange Rates (9) Effects and Implications of Macroeconomic Policies Monetary and Fiscal Policy	Ch. 16
6	05/20/09 (Wednesday)	(9) Effects and Implications of Macroeconomic Policies Monetary and Fiscal Policy	Ch. 16
7	05/21/09 (Thursday)	(10) Fixed Exchange Rates and Foreign Exchange Interventions (11) Exchange Rate Policies and Regime Choices	Ch. 17 Ch. 18/19
8	05/22/09 (Friday)	(11) Exchange Rate Policies and Regime Choices	Ch. 18/19
	05/25/09 (Monday)	Memorial Day(no class)	
9	05/26/09 (Tuesday)	(12) International Capital Markets for Developing Countries (13) Currency Crisis - model	Ch. 22
10	05/27/09 (Wednesday)	(13) Currency Crisis - model	Ch. 22
11	05/28/09 (Thursday)	(14) Currency Crisis – examples Latin America – Debt Crisis (1980s) and Tequila Crisis (1994-95) East Asian Crisis (1997-98) Russian Crisis (1998) and Argentine Crisis (2002)	
12	06/01/09 (Monday)	Midterm Exam (in class)	