FIN-523

Global business environment

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Cursus	Sem.	Type
Financial engineering	MA1, MA3	Opt.
Management, Technology and Entrepreneurship minor	H	Opt.
Managmt, tech et entr.	MA1, MA3	Opt.

Language of teaching	English
Credits	4
Session	Winter
Semester	Fall
Exam	During the semester
Workload	120h
Weeks	14
Hours	**3 weekly**
Lecture	2 weekly
Exercises	1 weekly
Number of positions	

Summary

This course gives the framework and tools for understanding economic events, taking financial decisions and evaluating investment opportunities in a global economy. It builds up an integrated model of exchange rate and output determination, and explains how monetary and fiscal policies work.

Content

1. National Income Accounting and the Current Account
2. Money, Interest Rates and Exchange Rates in the Short Run
3. Price Level and the Exchange Rate in the Long Run
4. Output and the Exchange Rate
5. Fixed Exchange Rates and the Dynamics of Currency Crises
6. Financial Crises and the Choice of Exchange Rate Regime
7. Currency Unions and the European Experience
8. Liquidity Traps
9. The Global Capital Market

Keywords

International finance, open-economy macroeconomics

Learning Outcomes

By the end of the course, the student must be able to:

- Define the determinants of exchange rates in the short run
- Illustrate the role of money supply and interest rates in determining exchange rates in the long run
- Develop an integrated model of output and exchange rate determination
- Illustrate how monetary and fiscal policies affect output and exchange rates in the short and the long run
- Explain what is a common currency area
- Assess / Evaluate the impact of forming a common currency area, like the Eurozone
- Assess / Evaluate how countries are interconnected via the current account and changes in net foreign wealth
- Integrate the role of nontraded goods/factors in determining exchange rates in the long run
- Compare different exchange rate regimes
- Expound currency crises
- Illustrate the link between financial crises and the choice of exchange-rate regime

Transversal skills

- Evaluate one's own performance in the team, receive and respond appropriately to feedback.
- Give feedback (critique) in an appropriate fashion.
- Access and evaluate appropriate sources of information.
- Use a work methodology appropriate to the task.

Teaching methods

The course is organized in lectures, class discussions and presentation of case studies. Lectures will provide the theoretical knowledge needed to understand global economic events. Students will have the opportunity to test their knowledge by doing weekly problem sets, which will be graded. Lectures will include several class discussions of recent economic events, which will allow students to apply the theory learned in class. Students will be divided in groups to work on a case study, which they will present in class. The topic of the case study varies from year to year and it will be chosen a few weeks into the course. The case study and its presentation will be part of the final grade.

Expected student activities

PROBLEM SETS
Problem sets will begiven out each Monday and need to be returned to the instructor at the beginning of class the following Monday. The solution to the problem set will be available on the class web page. No late problem set will be accepted. All questions in the problem set will be graded.
While working with other students on problem sets is allowed, each student must complete his/her problem set. I strongly recommend you to do the problem sets: this is the best way to learn the material and do well in the course.
GROUP CASE STUDY
Students will be divided in groups. Each group will prepare and present a case study that is typically related to current economic events. For example, last year the main topic was the Eurozone crisis and each group was assigned a specific topic related to it. The topic of your case study will be announced a few weeks into the course.
The case studies will be presented in class and followed by general discussion. You will be graded on the quality of the material, the presentation, and the contribution to the class discussion of other groups' case studies.

Assessment methods

30 % Problem sets (20%) and case study (10%)
35 % Midterm Exam (closed book)
35 % Final Exam (closed book)

Supervision

Office hours	Yes
Assistants	Yes
Forum	No

Resources

Bibliography

Textbook: *International Economics; Theory and Policy* (11th edition) by Paul Krugman, Maurice Obstfeld and Marc Melitz, Chapters 13 to 22.
NBER Working paper http://www.nber.org/papers/
Dow Jones (on WRDS) https://wrds-web.wharton.upenn.edu/wrds/index.cfm

Ressources en bibliothèque

- International Economics; Theory and Policy / Krugman
- Dow Jones (on WRDS)
- NBER Working papers

Notes/Handbook

Slides: The slides will be available (after class) on the class web site.

Problem Sets: Problem sets and their solutions will be available on the class website. Problem sets will ask you to work with and apply the concepts learned in class.

Readings: You may be asked to read additional material (papers, newspapers' articles, case studies, etc.). This additional reading will be the basis for class discussion, so you need to read it before class. All additional reading will be available on the class website.

Moodle Link

- http://moodle.epfl.ch/course/view.php?id=6271