

FIN-523

Global business environment

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Cursus	Sem.	Type
Financial engineering minor	H	Opt.
Financial engineering	MA1, MA3	Obl.
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	

Remark

Special schedule. See the MFE website: <https://go.epfl.ch/fe>

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. Globalization and fragmentation

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

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 not 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 project, to be returned in the last week of the semester

Expected student activities

PROBLEM SETS

Problem sets will be available on Moodle each Monday; students should upload their problem sets on Moodle by the specified deadline the following Monday. The solution to the problem set will be available on the class web page. No late problem set will be accepted. Problem set will not be graded.

While working with other students on problem sets is allowed, each student is encouraged to complete his/her problem set: it is the best way to learn the material and assess your preparation.

Assessment methods

30% Midterm Exam (closed book)

35% Group project

35% Final Exam (closed book)

Supervision

Office hours	Yes
Assistants	Yes
Forum	No

Resources

Virtual desktop infrastructure (VDI)

Yes

Bibliography

Textbook: *International Economics; Theory and Policy* (11th edition) by Paul Krugman, Maurice Obstfeld and Marc Melitz.

Ressources en bibliothèque

- [International Economics; Theory and Policy / Krugman](#)

Notes/Handbook

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

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

- <https://go.epfl.ch/FIN-523>