

Course Syllabus

Course code	ECON130003.02	Compiled date	2020/01/17
Course title (Chinese)	国际金融		
Course title (English)	International Finance		
Credits	3	Total hours	3 (16 weeks)
Instructor	Shen Guobing	Department/ Classroom	School of economics H5102
Semester	The second semester Thursday 6-8	Contact email	guobingshen@sina.com
Prerequisite courses	Macroeconomics, Microeconomics		
(A) Classification of the course			
Comprehensive	<input type="checkbox"/>	Fundamental	<input type="checkbox"/>
Compulsory	<input checked="" type="checkbox"/>	Elective	<input type="checkbox"/>
		Other	<input type="checkbox"/> _____
(B) Course objectives and contents			
<p>This course is aimed to enable our students to grasp the basic knowledge and general principle of international finance, and apply core economic theory and quantitative methods to analyzing the issues of Chinese finance, through lecture learning and literature reading of the following 14 Chapters. Moreover, through the theoretical study and case thinking of international finance, our students can understand the financial issues closely related to Chinese finance, including RMB exchange rate, China's exchange rate determination, Chinese money market and capital market, Chinese international balance of payments, the choice of RMB exchange rate regime, Chinese foreign exchange reserves, and foreign exchange control and RMB internationalization. These will be helpful for our students to promote their abilities to analyze and solve the Chinese financial issues. The teaching contents of this course include fourteen chapters, and will be divided into the following sixteen lectures. The main teaching contents include:</p> <p style="padding-left: 40px;">Lecture 1: Exchange Rate, Foreign Exchange Trading and Exchange Rate Change</p> <p style="padding-left: 40px;">Lecture 2: Exchange Rate Determination Theory (Exchange Rate Coordination Model, Balance of Payments Hypothesis, Currency Model)</p> <p style="padding-left: 40px;">Lecture 3: Exchange Rate Determination Theory (Portfolio Model, Rational Expectation and "News" Models)</p>			

Lecture 4: Balance of Payments and International Payment System
Lecture 5: Adjustment Mechanism of Balance of Payments Imbalance and Balance of Payments Theory
Lecture 6: International Financial Market Issues (Money Market, Capital Market, Offshore Financial Market)
Lecture 7: Financial Innovation and International Financial Derivatives Market
Lecture 8: International Banking Supervision and Basel Capital Accord
Lecture 9: International Capital Flow and International Investment Theory
Lecture 10: Theory of Currency Crisis and Comparison of Debt Crisis between the US and Europe
Lecture 11: Classification of Exchange Rate Regimes and Theory of Exchange Rate Regime Choice
Lecture 12: RMB Exchange Rate Regime and Hong Kong Linked Exchange Rate Regime
Lecture 13: International Reserve and Issues of China's Foreign Exchange Reserve
Lecture 14: Foreign Exchange Control and RMB Internationalization
Lecture 15: Macroeconomic Policy Objectives and Policy Combination Theory
Lecture 16: Theory of Optimum Currency Area and Common Currency Area

(C) Textbooks and references (at least five)

NO.	Author	Title	Publisher	Year
1	Krugman, P.; M. Obstfeld and M. Melitz	International Economics: Theory and Policy——Part Three and Four	Pearson Education Limited	11th Edition in 2018
2	Yarbrough, B. V. and R. M. Yarbrough	The World Economy: Trade and Finance ——Part Two	Thomson/South-Western	7th Edition in 2006
3	Hallwood, P. and R. MacDonald	International Money and Finance	Blackwell Publishers Inc.	3rd Edition, 2000
4	Shen Guobing	International Finance (3rd Edition)	Peking University Press	Aug. 2018
5	Shen Guobing	Theory and Practice of International Finance	Fudan University Press	Mar. 2018
6	Gandolfo	International economics II	China Economic Publishing House	2001

(D) Teaching arrangement and key points				
Week	Lesson	Contents and key points	Text/reference	Homework and questions
Lecture 1	3	exchange rate issues, foreign exchange transactions, exchange rate determination and adjustment, exchange rate change, foreign exchange risk	Hallwood and MacDonald (2000) Shen (2018)	What is the basis of exchange rate change? What are the main factors influencing exchange rate change of US dollar?
Lecture 2	3	exchange rate coherence model, balance of payments hypothesis, elastic price and sticky price monetary model	Hallwood and MacDonald (2000) Shen (2018)	differentiation between elastic price and sticky monetary models; understanding real interest rate parity; impact of FED interest rate increase on China's economy and trade
Lecture 3	3	portfolio balance theory, rational expected exchange rate theory and exchange rate "news" theory	Hallwood and MacDonald (2000) Shen (2018)	understanding speculative bubble model and chaotic model of exchange rate determination; development prospect of foreign exchange market microstructure theory.
Lecture 4	3	Analysis of Balance of International Payments, Sino-US trade imbalance and rebalancing, Payment of Balance of Payments	Krugman, Obstfeld & Melitz (2018) Yarbrough, B. & R. Yarbrough (2006) Shen (2018)	understanding the economic implications of partial balance of payments; How to adjust the Sino-US trade imbalance?
Lecture 5	3	adjustment mechanism of balance of payments imbalance, classical and modern adjustment theory of balance of payments	Krugman, Obstfeld & Melitz (2018) Yarbrough, B. & R. Yarbrough (2006) Shen (2018)	What are the main measures to regulate the balance of payments imbalance? Sino-US trade imbalance: characteristics and main causes
Lecture 6	3	New features of international financial markets? Money market, capital market, offshore financial market, RMB offshore financial market	Hallwood and MacDonald (2000) Shen (2018)	What are the requirements for the formation of international financial markets? Comparing foreign bonds with European bonds; New Development of China's Financial Market
Lecture 7	3	major theories of financial innovation, international financial derivatives market, comparison of financial derivatives market development between China and the US	Hallwood and MacDonald (2000) Shen (2018) Gandolfo (2001)	similarities and differences in the development of financial derivatives markets between China and the US motivation of Citibank's financial innovation?

Lecture 8	3	international banking supervision and Basel capital accord, Basel II, Global systemically important banks	Hallwood and MacDonald (2000) Shen (2018)	Referring to the Basel III, please analyze the problems and measures of China's banking supervision; What are the lessons of Bank of Bahrain?
Lecture 9	3	characteristics of international capital flow, debt crisis in developing countries, international investment theory; China's capital flight and "hot money" inflow	Krugman, Obstfeld & Melitz (2018) Shen (2018) Gandolfo (2001)	What are the management measures for international capital flows? An analysis of the causes, measuring methods and control measures of capital flight in China
Lecture 10	3	First, second and third generation monetary crisis models; A comparison between the subprime mortgage crisis in the US and the sovereign debt crisis in Europe	Krugman, Obstfeld & Melitz (2018) Yarbrough, B. & R. Yarbrough (2006) Shen(2018)	Compare the first, second and third generation currency crisis models. Comparing the similarities and differences between US subprime crisis and EU sovereign debt crisis
Lecture 11	3	classification of exchange rate regimes; "hollowing in the middle" hypothesis; the factors of exchange rate regime choice; theoretical hypothesis of exchange rate regime choice	Krugman, Obstfeld & Melitz (2018) Shen (2018) Gandolfo (2001)	Compare fixed and floating exchange rate regimes; To compare the classification of exchange rate regimes in 1999 and 2009. What are the main factors influencing the choice of exchange rate regime?
Lecture 12	3	The change and choice of RMB exchange rate regime; the market-oriented mechanism of RMB; two modes of foreign exchange trading; Hong Kong linked exchange rate regime	Krugman, Obstfeld & Melitz (2018) Shen (2018) Yarbrough, B. and R. Yarbrough (2006)	The main factors influencing the change and choice of RMB exchange rate regime? What are the main contents of RMB mechanism reform? What exchange rate regime Should Hong Kong adopt
Lecture 13	3	characteristics of international reserves; the method of determining the optimum international reserve; China's foreign exchange reserve issue	Krugman, Obstfeld & Melitz (2018) Shen (2018) Gandolfo (2001)	The main factors affecting a country's international reserve demand. What are the causes of Chinese foreign exchange reserve changes?
Lecture 14	3	main contents of foreign exchange control; free currency conversion; main contents of RMB capital account convertibility; the prospect of RMB internationalization	Krugman, Obstfeld & Melitz (2018) Shen (2018)	What are the conditions for RMB to be convertible freely in capital account? What are the conditions for RMB internationalization? The mode choice of RMB internationalization

Lecture 15	3	macroeconomic policy objectives; macroeconomic policy tools and policy coordination theory; Meade's conflict and Swan model	Krugman, Obstfeld & Melitz (2018) Shen (2018) Yarbrough, B. and R. Yarbrough (2006)	The Swan model is used to illustrate the conflict between internal and external balance. What is the core idea of Mundell's effective market classification principle?
Lecture 16	3	The measuring criteria of the OCA Theory; theory and practice of Eurozone; common currency area in East Asian	Krugman, Obstfeld & Melitz (2018) Shen (2018)	Comparing traditional analysis with alternative analysis; what are the challenges of Eurozone? Currency Internationalization modes and the choice of RMB internationalization target
		Review and Discussion Examination		

(E) Grading

Check Forms	Check in	<u> ✓ </u>	Homework	<u> ✓ </u>
	Midterm exam	<u> </u>	Final exam	<u> ✓ </u>

Exam form Open-book Closed-book Other

Assessment of this course contains three parts: class participation, homework and final examination, which constitutes 15%, 15% and 70% of final grade respectively. And the final exam is closed exam.

Your grade will be evaluated based on the following criteria:

Class participation	15%
Course homework	15%
Closed exam	70%
Total	100%

Students will be graded as follows:

A= Achievement excellent relative to the level necessary to meet course requirements.

B= Achievement significantly above the level necessary to meet course requirements.

C= Achievements meeting the basic course requirements.

D= Does not fully meet basic course requirements, but worthy of credit.

F= Performance failing to meet course requirements.

◆ Participation: Each student is expected to attend lectures, complete some related readings, and significantly contribute to the seminar discussions. Participation in class discussions is an essential part.

◆ Final closed exam is at 13:00-15:00 due by June 18, 2020; **Classroom: forthcoming.**

Furthermore, our students are reminded that plagiarism is a very serious academic offence and that they should refer to their *Student Handbook* for confirmation of what it is and the penalties for committing it.

(F) Online sources

The syllabus, lecture notes and the other will be available to Students for being downloaded,

On the academic homepage of Professor Guobing Shen:

Academic Homepage: <http://fdjpkc.fudan.edu.cn/201914/main.htm>, and go to 教学课件

(Lecture Notes)

Dynamic Way: Having face-to-face communications in Room 722, School of Economics

Static Way: Leaving messages on the above academic homepage, or sending e-mails to: guobingshen@sina.com

(G) A brief introduction of the instructors (200-300 words):

Teaching team: Shen Guobing, Tang Dongbo, Fan Xiaoyan, Zhang Tao:

<http://fdjpkc.fudan.edu.cn/201914/344/list.htm>

Shen Guobing, in charge of the teaching team:

In teaching, a heuristic teaching mode in which students are the priority while teacher is the supplement is always insisted on.

1. Main Achievements in Teachings

(1) Guobing Shen (2018), *International Finance*, 3rd ed. (in Chinese), Beijing: Peking University Press, August 2018.

(2) Guobing Shen (2018), *Theory and Practice of International Finance* (in Chinese), Shanghai: Fudan University Press, March 2018.

(3) Guobing Shen (2013), *International Finance*, 2nd ed. (in Chinese), Beijing: Peking University Press, August 2013. *2015 Excellent Textbook Prize* from Shanghai Education Committee, May 2015.

(4) Guobing Shen (2008), *International Finance*, 1st ed. (in Chinese), Beijing: Peking University Press, December 2008.

(5) Guobing Shen (2004), *International Finance* (in Chinese), Shanghai University of Finance & Economics Press, September 2004.

(6) The construction of the English courses “Introduction to Chinese Finance Development” for the exchange students between Fudan University and University of California and other foreign universities.

(7) The construction of the English course “Monographic Study on Chinese Finance” for foreign students of Chinese Economy of Chinese Finance EMA of Fudan University.

2. Internal and External Evaluations of Teaching Achievements

(1) In May 2015, *International Finance*, 2nd ed. (in Chinese), Peking University Press, which won *2015 Excellent Textbook Prize* from Shanghai Education Committee.

(2) In December 2012, won the title of “The Outstanding Teacher of the Undergraduate

Teachings of 2012”.

(3) In June 2010, “The Course Construction of the Basic Principles and Practical Problems of International Finance” was awarded the 3rd prize of “Teaching Achievement Award” of Fudan University.

(4) In November 2008, awarded “The Liberal Arts Research Achievement Award” of Fuhua Teaching Scholarship of Fudan University;

(5) The “International Finance” edited by Prof. Shen, republished by Peking University Press for several times and Shanghai University of Finance & Economics Press, has been sold thousands of copies, which received high praise and recognition from domestic peers, and is listed as textbook for undergraduate teaching and reference book for postgraduate entrance exam.

3. Research and Academic Visit

(1) Finishing four National Social Science Foundation Projects, two major project of the key research base of the Ministry of Education, one Shanghai social science foundation project, and Shanghai Pujiang Talent Program, and Shuguang Scholar Program Project.

(2) At present, hosting a major project of the key research base of the Ministry of Education.

(3) Having published seven monographs, edited five textbooks and published more than seventy academic papers.

(4) These academic works have won ten provincial level awards and other seven awards.

(5) **Academic Visitor of Nottingham University** during 2008-2009, and **Academic Visitor of Oxford University** during 2015-2016.

*If the course is provided by several instructors, please indicate the one responsible for the course.