

## **Course Outline 2018**

# **ECOn751: ADVANCED INTERNATIONAL FINANCE (15 POINTS)**

## **Semester 2 (1185)**

### **Course prescription**

A study of open-economy macroeconomic topics (theoretic, empirical and policy oriented), including models of exchange rate behaviour.

### **Course advice**

Before taking this course, students should have understood the material taught in ECON 352 International Finance and/or ECON 311 Macroeconomic Theory and Policy or in corresponding postgraduate level courses. This course may also complement other advanced courses, for example in Finance and International Business.

### **Goals of the course**

The course offers an introduction to international finance and macroeconomics at the graduate level. The goal is to provide the conceptual and analytical framework for thinking about contemporary issues in international finance.

The course documents the empirical facts as well as explores the causes and consequences of financial globalization. In particular, it analyses the empirical pattern of international capital flows, explores various mechanisms behind international financial crises, and discusses capital account management policies. In particular, it addresses the critical role of financial markets and institutions in the international financial system (and in the global financial crisis) as well as the role played by central banks and the IMF.

By offering a combination of empirics and theories, this course exposes students to advanced modelling techniques and frontier research. Students are also expected to apply the technical skills and to make critical analysis on various topics in international finance.

### **Learning outcomes (LO)**

| # | Learning outcome | Graduate profile capability |
| --- | --- | --- |
| LO1 | Explore empirical evidence and policy-related issues in international finance and monetary system | 1. Disciplinary knowledge and practice |
| LO2 | Identify core assumptions and derive key results of international macro models, explore the impacts of information and financial frictions | 2. Critical thinking |
| LO3 | Grasp the advanced modelling and analytical techniques, make critical evaluations of research articles in top journals, write referee reports and present the findings in the class | 3. Solution seeking |
| LO4 | Analyse the causes and implications of market imperfections, design optimal policy for financial markets and capital flow management | 3. Solution seeking |
| LO5 | Distinguish between long-run trend vs. short-run volatility of capital flows, characterize key statistics featuring global imbalances and international financial crisis | 4b. Communication (Written) |
| LO6 | Review recent developments in the international monetary and financial system, discuss current and future challenges | 2. Critical thinking |

\* See your graduate profile at the end of this course outline.

### **Content outline**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Module | Week | Topic | Relevant learning resources/activities | Assessment due this week/module |
| Part I:  Causes and Consequences of Global Imbalances | 1 | Stylized Facts & Empirical Evidence | A Simple Two-Period Model Economy |  |
|  | 2 | The Role of Heterogeneous Financial Development | Caballero, et. al (AER, 2008) von Hagen and Zhang (JDE, 2014) |  |
|  | 3 | Trade-Driven Sectoral Shifts | Zhang (2017) |  |
|  | 4 | The Rise of “Unobserved Capital” | Barkai (2016)  Chen, Karabarbounis, and Neiman (JME, 2017) |  |
|  | 5 | Productivity Implications of Financial Integration | Within- and Cross-Firm Investment Reallocation | Problem Set 1 |
|  | 6 | Presentation of Group Project I | Tutorial 1 |  |
| Part II:  Capital Flow Volatility & Optimal Capital Controls | 7 | Stylized Facts & Empirical Evidence | Reinhart and Reinhart (2009) Forbes and Warnock (JIE, 2012)  Broner et al.(JME, 2013) |  |
|  | 8 | Externality & Optimal Intervention | Solution Procedure |  |
|  | 9 | Imperfect Risk-sharing under Private Information | Caballero and Krishnamurthy (JET, 2004) |  |
|  | 10 | Pecuniary Externality & Capital Inflow Taxes | Jeanne and Korinek (AER, 2010) |  |
| Part III:  Introduction to GFCy | 11 | Recent Developments on Global Financial Cycles | Empirical Facts and Policy Responses | Problem Set 2 |
|  | 12 | Group Project Presentation II | Tutorial 2 |  |

### **Learning and teaching**

# Lectures are held at **09:00-12:00, Monday**, in OGGB room **260-325**.

The course is rigorously structured and conducted at a fast pace. Students must clarify doubts at the earliest by reviewing the lecture recording, contacting the lecturer or through group discussion with classmates.

Students are encouraged to read about current events in the global economy and share their opinions in the classroom discussions during the semester.

### **Teaching staff**

# Email: [haiping.zhang@auckland.ac.nz](mailto:haiping.zhang@auckland.ac.nz) Telephone: 9231152

# Office Hours: Mondays & Wednesdays 12:00 – 13:00 Location: OGGB Room 260-657

### **Learning resources**

# There is no set text. Please check Canvas regularly for course announcements, lecture slides, and other learning materials. Supplementary materials are as follows:

# Obstfeld, M. and K. Rogoff, Foundation of International Macroeconomics, 1996, MIT Press.

# Uribe, M & S. Schmitt-Grohé, Open Economy Macroeconomics, 2017, Princeton University Press.

# Obstfeld, M. and A. M. Taylor, Global Capital Markets: Integration, Crisis, and Growth, 2005, Cambridge University Press.

# Reinhart, C. M. and K. Rogoff, This Time is Different: Eight Centuries of Financial Folly, 2011, Princeton University Press.

# Some Useful Links

# [WTO](http://www.wto.org), [OECD](http://www.oecd.org), [World Bank](http://www.worldbank.org), [UNCTAD](http://www.unctad.org), [World Economic Forum](https://www.weforum.org/), [The Economist](http://www.economist.com)

### **Assessment information**

| Assessment task | Weight % | Group / individual | Submission |
| --- | --- | --- | --- |
| Problem Sets | 10 % | Individual | Week 5 & 11 |
| Group Projects | 40 % | Group | Week 5 & 11 |
| Final Exam | 50 % | Individual | TBA |

### **Pass requirements**

# To pass this course, students must get more than 50% of total mark. *Plussage does NOT apply.*

### **Description of assessment tasks**

| Assessment task | Learning outcome to be assessed |
| --- | --- |
| Problem sets provide an indication of the standard required and an opportunity to develop problem-solving skills. | LO1, LO2, LO3,  LO4, LO5, LO6 |
| 1. In group project 1, students are expected to identify the long-run patterns of international capital flows, explore the key factors behind these patterns, and discuss the relevant policy measures. 2. In group project 2, students are expected to characterize the short-run dynamics of international capital flows, explore the key factors behind international financial crisis, and discuss the relevant policy measures.   Besides the thesis, students are expected to present the key findings of the group project in the classes of week 6 and 12, respectively. | LO1, LO2, LO3,  LO4, LO5, LO6 |
| In the final exam, student should demonstrate the problem-solving skills, and the understanding of theoretical models, and the ability of describing and explaining their results intuitively. | LO1, LO2, LO3,  LO4, LO5, LO6 |

### **Inclusive learning**

Students are urged to discuss privately any impairment-related requirements face-to-face and/or in written form with the courses convenor/lecturer and/or tutor.

### **Academic integrity**

The University of Auckland will not tolerate cheating, or assisting others to cheat, and views cheating in coursework as a serious academic offence. The work that a student submits for grading must be the student’s own work, reflecting his or her learning. Where work from other sources is used, it must be properly acknowledged and referenced. This requirement also applies to sources on the worldwide web. A student’s assessed work may be reviewed against electronic source material using computerised detection to provide an electronic version of their work for computerised review.

### **Student feedback**

# Student feedback is highly encouraged in this course. During the semester, students may directly submit their feedback to the lecturer, or they may wish to submit feedback through the class representative.

### **In the event of an unexpected disruption**

We undertake to maintain the continuity and standard of teaching and learning in all your courses throughout the year. If there are unexpected disruptions, the University has contingency plans to ensure that access to your course continues and your assessment is fair, and not compromised. Some adjustments may need to be made in emergencies, In the event of a disruption, the University and your course coordinators will make every effort to provide you with up to date information via Canvas and the University website.

### **Bachelor of Commerce Graduate Profile**

The following six themes represent the capabilities that the Business School seeks to foster in all of its graduates. The development of these capabilities does not come all at once, but rather is expected to build from year to year. Each course is not expected to contribute to all capabilities, but each course will have its own goals and learning outcomes that relate to the overall development of this profile.

| Graduate Profile for |
| --- |
| 1. Disciplinary knowledge and practice Graduates will be able to apply specialised knowledge within their discipline to demonstrate an advanced awareness and understanding in a global context. |
| 2. Critical thinking Graduates will be able to analyse and evaluate the relevant literature, and develop well-reasoned arguments that demonstrate advanced and diverse thinking. |
| 3. Solution seeking Graduates will be able to identify, frame and analyse issues and develop innovative evidence-based solutions. |
| 4. Communication and engagement Graduates will be able to engage, communicate and collaborate with diverse groups using multiple formats. |
| 5. Independence and integrity Graduates will be able to demonstrate independent thought, self-reflection, ethics and integrity. |
| 6. Social and environmental responsibility Graduates will consider, in relation to their discipline, the potential significance of the principles underpinning both the Treaty of Waitangi and sustainability. |

Note that if you are enrolled in a conjoint degree, you should also engage with the Graduate Profile for your other degree programme.