



Faculty of Arts and Social Sciences

International Finance - ECON 345

Spring 2023

Instructor: İnci Gümüş
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Office Hours: By appointment

Lectures: Tuesday 11:40-13:30, FASS 1099
Thursday 12:40-13:30, FASS 1099

Recitation: Thursday 18:40-19:30

Teaching Assistant: Mustafa Saraç (Email: mustafa.sarac@sabanciuniv.edu)
Office hours: By appointment

Zoom link for lectures: <https://sabanciuniv.zoom.us/j/99330280162>

Zoom link for recitations: <https://sabanciuniv.zoom.us/j/93737302495>

Course Description:

In this course, we will study the basic concepts, tools and facts needed for the macroeconomic analysis of open economies, and to understand the functioning of international financial markets. We will start by relating the basic concepts of national income accounting and the balance of payments. Then we will examine the relationship between interest rates and exchange rates, which we will use for understanding the interaction of monetary policy and exchange rates. We will develop a framework to study the behavior of prices, interest rates, nominal and real exchange rates and output in the short and the long run. We will then apply this framework to analyze issues that are of current interest such as the causes and consequences of financial crises, relative merits of alternative exchange rate regimes and international capital flows.

Textbook: Paul R. Krugman and Maurice Obstfeld, *International Economics: Theory and Policy*, Pearson Addison Wesley, 11th edition.

Grading: Midterm: 30%
Final: 70%

Midterm date: April 18, during the lecture hours

Final exam date: Will be set and announced by the Student Resources

Course Requirements and Rules of Conduct

- **Disclaimer added upon request by the University Administration:** We may have to revise the course plan according to the countrywide reassessment to be made regarding higher education, which is expected to happen at the beginning of April. The content to be delivered is certain but the method of course delivery, the number and dates of exams, and some other details are subject to change.
- Teaching format:
 - I will be teaching the course in class and the lectures will be simultaneously delivered through Zoom.
 - Recitations will be held online, delivered through Zoom.
 - Class attendance is expected and **the lectures will not be recorded**. Students are responsible for all of the material covered during the lectures.
- Problem sets will be given to help with the course material but they will not be collected and graded. They will be solved in the recitations and you are urged to work on them before they are solved in the recitations.
- Recitation sessions will not be held every week. In the weeks that will have a recitation, it will be announced by email.
- The midterm exam will be held online, as announced by the Council of Higher Education. The final exam is planned to be held physically on campus.
- Make-up exam policy:
 - Make-up exams are granted only in case of a valid and documented reason. In case of an illness, you have to have a formal report from the university health center.
 - The make-up exam for both the midterm and the final will be given at the same time, after the final exam is over. If you happen to have missed both the midterm and the final, then you will take the make-up exams back-to-back.
- The definition for scholastic dishonesty is given in the rules and regulations of the Sabancı University. Cheating during written work will result in a course grade of F. All incidents of scholastic dishonesty will be reported to the Dean's Office.
- **The course grade is solely based on the grading scheme stated on the syllabus. There will be no exceptions to this (like doing additional assignments, writing a term paper etc.)**
- All class announcements, grades and problem sets will be posted on the course website, which is available on SUCourse. Make sure to visit the site frequently.

Course Outline

1. National Income Accounting and the Balance of Payments (Chapter 13)
2. Exchange Rates and the Foreign Exchange Market: An Asset Approach (Chapter 14)
3. Money, Interest Rates, and Exchange Rates (Chapter 15)
4. Price Levels and the Exchange Rate in the Long Run (Chapter 16)

5. Output and the Exchange Rate in the Short Run (Chapter 17)
6. Fixed versus Floating Exchange Rates (Chapters 18, 19)