



Global Business Environment

FIN-523

Fall 2022

Prof. Luisa Lambertini

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<http://cfi.epfl.ch/Lambertini>

Course page: <http://moodle.epfl.ch/course/view.php?id=6271>

Classes: Mondays 15h15 – 17h00 (lecture); 17h15 – 18h00 (exercise session)

Room: CE2

Lectures will be recorded and available after class in the dedicated Switch channel

Enrolment key: global10

Course Overview

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.

Material

- **Textbook**: *International Economics: Theory and Policy* (13th edition) by Paul Krugman, Maurice Obstfeld and Marc Melitz, Chapter 13 to 22; or *International Finance: Theory and Policy* (12th edition) by Paul Krugman, Maurice Obstfeld and Marc Melitz
- **Slides** will be available on Moodle right before class
- **Problem Sets** and their solutions will be available on the web page
- **Readings**: Students may be asked to read additional material (papers, articles, case studies, etc.), which will be available on Moodle

Didactic Approach

The course is organized in lectures and class discussions

Assignments

Problem sets are assigned each Monday and must be uploaded on Moodle by 15h00 on the following Monday. The solution to the problem sets will be posted on Moodle. No late problem set is accepted and all questions in the problem set are graded.

Each student must complete his/her problem set and upload it. Emailed problem sets are not accepted. You are urged to work on problem sets independently; identical problem sets will receive zero grade.

This is a 4-credit course, which is equivalent to eight hours of work per week.

Group Project

You will be divided in groups and assigned a project after the midterm exam. The groups will present and discuss their project on 12.12 during class.

Paperless Policy

This is a paperless class. All material (syllabus, problem sets, solution to the problem sets and other reading material) will be posted/uploaded on Moodle and will not be printed. Students are asked to upload their problem sets on Moodle; several formats are accepted. Problem sets will be graded

online and each student will be able to see her/his corrected problem set. Uploaded problem sets should be clearly readable.

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
- 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

Exams and Projects dates

The midterm exam will take place on Monday, 7.11 from 17h15 to 18h00; room: TBD

The project will be presented on Monday, 12.12 from 15h15 to 18h00; room CE2

The final exam will take place on Monday, 19.12 from 15h15 to 18h00; room: TBD

Grading Scheme:

Problem sets	20%
Midterm exam	30%
Group project	20%
Final Exam	30%

	100%

Teaching Assistants

There are two teaching assistants for this course:

- Roy Sarkis, roy.sarkis@epfl.ch
- Gleb Kurovskiy, gleb.kurovskiy@epfl.ch

The assistants

- will hold exercise sessions on Mondays 17h15 – 18h00
- are available by appointment (please contact them by email)

Course Schedule: A Quick Overview of the Sessions

1. National Income Accounting, the Current Account, Saving and Investment
2. Exchange Rates and the Foreign Exchange Market: An Asset Approach
3. Money, Interest Rates and Exchange Rates: Conventional Monetary Policy
4. Unconventional Monetary Policy and the Global Financial Crisis
5. Price Level and the Exchange Rate in the Long Run
6. Output and the Exchange Rate in the Short Run with Flexible Exchange Rates
7. Fixed Exchange Rates, Currency Crises and the Swiss Franc Appreciation
8. Currency Unions and the European Experience
9. The Return of Inflation
10. Energy Crisis