

The Economics of International Trade, Banking and Financial Markets

Module guide 2017 - 2018
Amsterdam School of International
Business

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1. Module overview

This guide gives you an overview of the Economics of International Trade, Banking and Financial Markets. More detailed information can be found on the DLWO (<https://dlwo.dem.hva.nl>)

Content

International trade is affected by (the economics of) international banking and financial markets and government intervention. To understand patterns in international trade, it is essential to understand how international trade is affected by monetary and fiscal policy, by government intervention – an important determinant of country risk – and by the forces behind globalization, including the roles of global institutions like the International Monetary Fund (IMF) and the World Trade Organisation (WTO), and International trade Agreements, like the European Economic Area (between the European Union, Norway, Iceland and Liechtenstein) and the North American Free Trade Agreement, NAFTA (between Canada, the US and Mexico).

The relevance of this module is that it provides a profound understanding of the interconnectedness between (the determinants of) International Trade, Banking and Financial Markets as important determinants of *country risk* - the risks of conducting cross border business in foreign countries, including exchange rate risk, economic risk (including the risks stemming from fiscal and monetary policy), sovereign (debt) risk and the risk of governments imposing restrictions on the mobility of capital and goods.

Learning goals

| # | You can analyse: |
|----|--|
| 1. | The consequences of monetary policy decisions of leading central banks for international trade |
| 2. | The transmission of financial sector shocks through the economy, both at the domestic level, and across borders – via international bank connections and through movements in exchange rates |
| 3. | The determinants of globalization of international trade, banking and financial markets and the consequences of government intervention (by means of fiscal policy and trade policy) as an important determinant of country risk |
| 4. | The relevance of the multilateral trade system, in particular the role of the Bretton Woods trinity – the International Monetary Fund, the World Bank and the World Trade Organisation |
| 5. | How different exchange rate systems affect international trade |

Appendix 1 defines the relationship of the learning goals within this module with your programme's profile competences.

Coherence with other modules

This module is a sequel to the second year's module Economics and Management for Business.

Study materials & recommended further reading

| Study books | | | | | |
|--|---------------------|-------------------------|-------------|------------------|-----------------------|
| Title | Author(s) | Publisher | Year | Edition | ISBN |
| The economics of Money, Banking, and Financial Markets | Frederic S. Mishkin | Pearson, global edition | | Eleventh edition | 13: 978-1-292-09418-2 |

| Other study materials | | |
|---|---|-------------------------------------|
| Title | Author(s) | Where to find this material? |
| Articles from authoritative newspapers and magazines about recent events regarding International Trade, Banking and Financial Markets | Leading newspapers and financial magazines like Financial Times and the Economist | Distributed in class |

Questions and who to contact

Questions about the module's content and study materials can be addressed to your lecturer(s) during the lessons. The consultation hours of the individual lecturers as well as their office location can be found in the lecturers' profile on the DLWO.

2. Set-up of this module

Teaching methodology

During the meetings, Articles about present events regarding International Trade, banking and Financial Markets will be discussed, along with the relevant chapters of F.S. Miskin in order to be able to understand the economic rationale of present events. One can prepare for the meeting by reading the relevant chapters/articles prior to the meeting.

Exam & an individual report (assignment)

A written exam about the study material will be conducted after the last meeting and is graded 80 per cent of total grade. The assignment will be graded 20 per cent of total grade.

The assignment consists of 10 to 15 pages, excluding front-page, references and appendices.

The structure of the assignment is as follows:

- (1) introduction and problem statement,
- (2) analysis – relation between theory and practice,
- (3) conclusions.

The student is free to choose the subject of the assignment as long as its related to this module.

The assignment should be finalized and submitted no later than end of the week following the last meeting.

The assignment will be graded within 2 weeks and graded 20 per cent of total grade.

If the assignment is graded below 5.5, a repair of the assignment, or, if the assignment is beyond repair, a new assignment should be finalized and submitted no later than end of the week following the week of the resit of the written exam.

Assessment

The assessment methods used in this module are summarised below. The table also shows how the grade for this module will be calculated.

| | Description | Form | Learning goal(s) | Lecture week | Weight (%) |
|---|--------------------|----------------|-------------------------|-------------------------------|-------------------|
| 1 | Assignment | Written report | 1 to 5 | First week after last meeting | 20 |
| 2 | Exam | Written | 1 to 5 | S1, S2 S1H, S1H | 80 |

Resit

If the average grade obtained for this module is below 5.5 you must do a resit. Which resit(s) you must do depends on which part(s) is/were insufficient. The different situations are illustrated in the table below.

| Situation: | The resit will consist of the following test(s): | Your average module grade after resit will be calculated using the following weights: | The resit(s) will be scheduled in: |
|--|---|--|---|
| 1 Average grade for the whole module \geq 5.5 | No resit needed | N.A. | N.A. |
| 2 Average grade for the whole module $<$ 5.5. | <ul style="list-style-type: none"> ▪ Written resit of the exam if the exam is graded $<$ 5.5 ▪ Repair of the assignment, or, if the assignment is beyond repair, a new assignment. In both cases to be finalized and submitted no later than end of the week following the week of the resit of the written exam. | <p>The written test will be graded 80 per cent of total grade.</p> <p>The assignment will be graded 20 percent of total grade.</p> | Allocated FBE resit period (will be filled in by O&K) |

General regulations

- 1 You are required to prepare for lessons. If you come to class unprepared, the lecturer has the right to deny you access to the lesson. What is requested of you in terms of lesson preparation is stated below and/ or on the DLWO for this module.
- 2 You must bring a laptop to school for each class. It is your responsibility to make sure that the battery lasts throughout each lesson. If you fail to bring a laptop to class and/or if the battery does not last throughout class, this is regarded as not being prepared. A lecturer then has the right to deny you (further) access to that lesson.
- 3 The assignments will not be graded if the level of English is inadequate. If that is the case, you have to hand in your assignment again in the appointed resit period.

Lesson plan

The table below refers to the relevant chapters of F.S.Miskin (M); in week n, students has to prepare for week n+1 by reading the relevant chapter and distributed articles.

| Lecture week | Prepare for lesson 1 / Lesson 1 | Prepare for lesson 2 | Lesson 2 |
|---------------------|---|-----------------------------|-----------------|
| 1 | 2 (overview financial system), 3 (what is money) | 9 & 11 | |

| Lecture week | Prepare for lesson 1 / Lesson 1 | Prepare for lesson 2 | Lesson 2 |
|--------------|---|----------------------|----------|
| 2 | 9 (banking and the management of financial institutions) 11 (banking industry: structure and competition) | 12 | |
| 3 | 12 (financial crisis in advanced economies) | 13 | |
| 4 | 13 (crisis in emerging economies) | 14 & 15 | |
| 5 | 14 (Central banks: a global perspective (only about FED, ECB and the independency issue) 15 (the money supply process, excl. the money multiplier) | 16 | |
| 6 | 16 (tools of monetary policy) | 17 | |
| 7 | 17 (conduct of monetary policy) | 18 | |
| 8 | 18 (the foreign exchange market) | 19 | |
| 9 | 19 (the international Financial system) | 20 & 24 | |
| 10 | 20 (quantity theory: inflation and the demand for money), 24 (Monetary policy theory) | 26 | |
| 11 | 26 (the transmission mechanism of monetary policy) | Mock exam | |
| 12 | Mock exam | | |