



北京大學
汇丰商学院

Peking University HSBC Business School

ECON xxx International Finance Module 3, 2025-2026

Course Information

Instructor: Jiao Shi

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Office Hour: 11:30-12:30 Tuesday & Friday, or by appointment

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Q&A sections: TBA

Classes:

Lectures: 9:00 – 11:30 Tuesday & Friday

Venue:

1. Course Description

1.1 Context

Course overview:

This class introduces fundamental topics in international finance. Class materials cover basic concepts, and discuss the application of economic theories in the real world. A global perspective is necessary for the exploration of topics in international finance, although we also emphasize issues specific to the Chinese economy. The purpose of the class is twofold. On the one hand, through lectures, the class aims to build a solid theoretical foundation. We will talk about the foreign exchange market, the determination of the exchange rate and balance-of-payments, and macroeconomic policies in the international context. A special emphasis is given to the practice of exchange rate management and capital controls, to better understand problems faced by China and many other developing countries. On the other hand, we invite student to conduct original research, by exploring one specific topic of interest.

Prerequisites:

Foundations in microeconomics and macroeconomics

College-level math

1.2 Textbooks and Reading Materials

Textbook:

- To be provided along with classes

Lecture notes and supplemental materials will be provided to students as the class goes on.

2. Learning Outcomes

2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	YES: Class project
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	YES: Class project
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	NO
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	YES: Class materials exam, and homework
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	YES: Class materials, Homework, exams
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	YES: Course materials and homework
	5.3. Our students will demonstrate competency in critical thinking.	YES: Course materials and homework

2.2 Course specific objectives

2.3 Assessment/Grading Details

Component	Weight
Homework assignments	15%
Class Participation	15%
Midterm exam	30%
Final exam	40%

Homework: There will be several homework assignments. Homework covers the more technical part of the class (i.e. models and data). Students are expected to complete these homework assignments independently, unless otherwise required.

Participation: Class attendance is expected. Please notify me before the class for any *foreseeable* absence. Students who miss class beyond reasonable frequency will automatically lose the class participation grade. In-class discussion and participation are strongly encouraged, and I reserve the right to make small upward adjustments to your final grade using participation performance.

In-class discussion is an important part of the class by design. These are graded based on efforts rather than correctness. In addition, there will be an online questionnaire through which students can participate in class online.

Exams: There will be a midterm exam and a final exam.

2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

AI tools requirements:

Using AI tools to complete assignments or assessments without the approval of the course instructor will be regarded as an act of academic dishonesty. Depending on the severity of the situation, penalties will be implemented in accordance with the provisions of the Peking University Graduate Student Handbook.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

3. Topics, Teaching and Assessment Schedule

Time	Class Coverage
Week 1	Course introduction: Globalization and China <ul style="list-style-type: none">- China as an open economy- Renminbi exchange rate regime through the years Reading: Chapter 1
Weeks 2 - 3	Nominal exchange rate determination <ul style="list-style-type: none">- Nominal exchange rate: introductions Focal point: Bilateral and effective exchange rate in China mainland and Hong Kong- The foreign exchange markets <u>Reading</u>: Chapter 2 Focal point: the offshore Renminbi exchange rate Focal point: Renminbi forward rate and expectation- Models of exchange rate determination <u>Reading</u>: Chapter 2 Focal point: Exchange rate, monetary policy, and market expectation
Weeks 4 - 5	The real exchange rate and price levels in the long run <u>Reading</u> : Chapter 3 <ul style="list-style-type: none">- The fair value of exchange rate Focal point: The Big Mac Index and law of one price

	<ul style="list-style-type: none"> - International price dispersion and the Purchasing Power Parity - Real exchange rate determination in the long run <p>Focal point: The fair value of Renminbi exchange rate Focal point: Does PPP hold in the long run? Focal point: Comparing China and Japan</p>
Week 6 - 7	<p>Macroeconomic model of international transmission in the short run</p> <p><u>Reading:</u> Chapter 5</p> <ul style="list-style-type: none"> - Monetary and fiscal policy in the international context - Policy spillovers <p>Focal point: Abenomics</p> <p>Exchange rate regimes and capital controls</p> <p><u>Reading:</u> Chapter 6</p> <ul style="list-style-type: none"> - World exchange rate regimes over time - Policies under a fixed exchange rate regime
Week 8	<p>Capital controls, capital flows and balance of payment account</p> <ul style="list-style-type: none"> - Balance of payment account: an introduction <p><u>Reading:</u> Chapter 4 and Chapter 7</p> <p>Focal point: A look at the Chinese Balance of Payment</p> <ul style="list-style-type: none"> - Theories of current account <p>Focal point: Exchange rate and external imbalances Focal point: Global saving glut and double deficits</p> <ul style="list-style-type: none"> - The external wealth and valuation effect <p>Focal point: The external wealth of China</p> <ul style="list-style-type: none"> - Global imbalances before and after the 2008 financial crisis
Week 9	<p>Developing countries</p> <p><u>Reading:</u> Chapter 8</p> <p>Growth gaps between countries</p> <p>Lucas Paradox and international capital flows</p> <p>Emerging markets financial crises and reforms of the international safety nets</p>

* Tentative and subject to adjustment

Project Guidelines

The goal of the project is to conduct independent research to answer a question of your interest in international finance.

The project should contain several parts of different length but equal importance:

The research question: A good piece of research sprouts from a good research question. (Many important contributions contain only a very good question – or the refinement of a research question!) A good research question is important and/or interesting. A question is important if it is relevant for our understanding of the real world. It is interesting if it is intellectually intriguing. A researcher should establish that the research question is a good one, by arguing that it is either important or interesting, or better, both.

Background information: This part should contain necessary information based on which your analysis is done. Its contents clearly depend on your research question, but in modern economics research, some *quantitative* information is usually necessary (i.e., there should be data), in addition to qualitative and narrative information. You should always obtain *first-hand* data because this will allow you to reach an independent conclusion.

Analysis: This part contains your arguments. Even though analysis is listed as an independent section, in the final project, it is usually intertwined with the presentation of information. Arguments are built upon your theory – the framework in which you understand and rationalize information you gathered, implicitly or explicitly. In the project, we want to make the underlying theory explicit.

Your answer: This part contains your conclusion, after gathering and analyzing information. It should also contain a discussion of limitations of the current project, and possible future extension of the research.