

International Finance

FIN-ISS301

Course Description

This class addresses the following main topics: exchange rate determination in open economy models, failures of the law of one price and pricing to market, international business cycles transmission in general equilibrium models, exporter dynamics, short and long run adjustments of trade flows, determinants of international capital flows and multinational production. The readings for the class will be equally split between theory and empirical papers. We will discuss stylized facts and the empirical performance of the models on these facts as well as major theoretical puzzles. We will also discuss topics for new research questions on the empirical and theoretical front.

Required Texts

International Finance: Theory and Policy, Global Edition 11th Edition by Paul R. Krugman, Maurice Obstfeld, and Marc Melitz

Other Reading materials will be provided through your student center

Prerequisite

FIN 201 Business Finance and STAT 201 Business Statistics

Course Requirements

During the term, there will be three quizzes (20%), one midterm exam (20%), one final exam (30%) and one term project (20%), Responses and questions around class readings and participation so make sure you are there and prepared (10%).

Learning Outcomes

- Explain conceptually the organisation of foreign exchange markets.
- Apply simple models of current account dynamics and exchange rates determination.
- Analyse the causes of historical exchange rate movements with reference to the models covered in class.
- Apply the models covered in class to analyse a range of current issues in international finance.

Evaluation and Grading

| | | | | | |
|----|--------|----|-------|----|-------|
| A | 93-100 | B- | 80-82 | D+ | 67-69 |
| A- | 90-92 | C+ | 77-79 | D | 63-66 |
| B+ | 87-89 | C | 73-76 | D- | 60-62 |
| B | 83-86 | C- | 70-72 | F | 0-59 |

Course Hours

The course has 20 class sessions in total. Each class session is 150 minutes in length, for a total of 3000 minutes of in-class time. Students are expected to spend 15-20 hours per week outside of class. The University awards 4 credits for this course. Different universities may count course credits differently. Consult officials at your own home institution.

Attendance

Occasionally, due to illness or other unavoidable circumstance, a student may need to miss a class. The University's policy requires a medical certificate to be excused. Any absence may impact on the student's grade. Moreover, **the University's policy is that a student who has more than 3 absences will fail the course. Arriving late or leaving early will count as a partial absence.**

Academic Honesty

The University expects all students to do their own work. Instructors will fail assignments that show evidence of plagiarism or other forms of cheating and will also report the student's name to the University administration. A student reported to the University for cheating is placed on disciplinary probation; a student reported twice is suspended or expelled.

Disability Accommodation

Any student who needs special accommodation due to the impact of disability should inform the University within 10 days before the program starts.

Tentative Schedule

| Period | Contents | Readings and Homework |
|--------|--|---|
| 1-5 | <ul style="list-style-type: none"> • Introduction and overview • National Income Accounting and the Balance of Payments • Exchange Rates and the Foreign Exchange Market: An Asset Approach • Quiz 1 | <ul style="list-style-type: none"> • CH 1-3 • Homework 1 |
| 6-10 | <ul style="list-style-type: none"> • Money, Interest Rates, and Exchange Rates • Central Bank and Money Supply • Monetary Policy • Price Levels and the Exchange Rate in the Long Run • Quiz 2 • Output and the Exchange Rate in the Short Run • Midterm Exam | <ul style="list-style-type: none"> • CH 4-6 • Homework 2 |
| 11-15 | <ul style="list-style-type: none"> • Fixed Exchange Rates and Foreign Exchange Intervention • International Monetary Systems: An Historical Overview • Financial Globalization: Opportunity and Crisis • Quiz 3 | <ul style="list-style-type: none"> • CH 7-9 • Homework 3 |
| 16-20 | <ul style="list-style-type: none"> • Optimum Currency Areas and the Euro • Developing Countries: Growth, Crisis, and Reform • Selected Contemporary Issues • Final Exam | <ul style="list-style-type: none"> • CH 10-11 • Homework 4 • Term Project & Presentation |

Please note the schedule is subject to change