



CIEE Barcelona, Spain

Course title:	International Finance
Course code:	ECON 3007 BASP
Programs offering course:	Business and Culture, Economics and Culture, Language and Culture
Language of instruction:	English
U.S. semester credits:	3.00
Contact hours:	45.00
Term:	Fall 2023

Course Description

This course focuses on understanding the theory of international finance and its real-world applications. After a brief definition of “finance” (What do we mean by it? What’s the difference between the trade and monetary aspects of international economics?), the fundamental concepts of the course will be introduced through the topics of national income accounting and the Balance of Payments. A theory of flexible exchange rate determination will then be presented, along with its implications for macroeconomic performance in terms of output, money supply, price levels, etc. We will then proceed to analyze the hedging tools to minimize the financial risks in the international financial system, and to debate over which of both systems, flexible or fixed, is better. International macroeconomic policy and coordination will be our next topic, and we will finish by turning our attention to developing countries and analyzing their specific types of financial policies and crisis.

Learning Objectives

By completing this course, students will:

- Identify and apply the precise language of international finance.
- Discuss the institutions of international finance and assess the impacts and responses of governments, markets and firms.
- Examine exchange rate determination and assess the pressures affecting currency values by hedging strategies using derivative products.
- Analyze and evaluate international financial borrowing and investment opportunities and the instruments used in international trade.
- Apply knowledge of business to confront new situations and propose solutions which can withstand critical examination into the area of international finance.
- Apply new tools that combine technology and finance in the international market such as blockchain.

Course Prerequisites

3 semesters of college-level micro- or macroeconomics. 1 semester of calculus recommended.

Methods of Instruction

The delivery method consists of a mix of lectures, cases, exercises, guest lecturers and individual coaching. Class debates and participation with a positive and collaborative attitude will be a requirement and fundamental to the learning process.

Assessment and Final Grade

1. Midterm Exam	20%
2. Final Exam	20%
3. Final Project (Written Assignment & Oral Presentation)	20%
4. Quizzes	20%
5. Class Participation (Including WEF Activity)	20%
TOTAL	100%

Course Requirements

Midterm Exam

Final Exam

The midterm and final exam will consist of a combination of problems and essay questions covering all the contents seen in class: lectures, cases, newspaper articles and class discussions.

Final Project (Written Assignment & Oral Presentation)

In teams of 3, students must research and prepare a final project. The topic can be freely chosen by students but it must fulfill two criteria: a) it must be approved by the professor, b) it must combine at least three of the topics discussed throughout the course (financial globalization, international monetary system, balance of payments, foreign exchange markets, international parity relationships, management of exposure, long-term financing and international cash management).

Only a power point is required (see grading criteria below) as the basis for a 20-minute presentation.

Presentations will be graded with the following criteria:

- Depth of the research and the analysis
- Effort shown to relate to the things explained during the course
- Delivery (clarity, coherence and concision, no reading)
- Capacity to answer the questions posed by the professor
- Appropriateness/effectiveness of slides (not large paragraphs, but main ideas, charts, etc.)
- Quality and pertinence of sources consulted and cited.

The final project will be presented by students on the previous-to-last day of class. Students may divide the work among themselves, but each group member must be prepared to explain any item of the project. It will be randomly decided by the professor the part of the project to be presented by each student.

Quizzes

Each student will have to complete two quizzes to check that they are doing the compulsory readings.

Class Participation (Including WEF Activity)

Class participation is an important part of the course.

Attendance

To encourage engaged learning, regular class attendance is required throughout the program. This includes any required co-curricular class excursion or event, as well as internship, service-learning, or other required field placement.

An excused absence in a CIEE course will only be considered if approved by a CIEE Center Director/Academic Director (not the Instructor), and:

- it is a self-certified absence for illness (only once per course, requires formal request before or within 24 hours, cannot miss assessment worth more than 5% of final course grade)
- a doctor's note from a local medical professional is provided
- evidence of a family emergency is provided
- it is a pre-approved observance of religious holiday

Unexcused absences include personal travel and/or travel delays, as well as missing more than 25% of a single class period (including tardiness and early departure). Assessments missed due to unexcused absences will be marked as zero. Students with over 10% unexcused absences will be contacted by CIEE staff. Students with over 20% unexcused absences will be contacted by CIEE staff, receive a formal warning letter (shared with their home institution) and lose 10% of the final course point total (e.g., a final A grade of 93% will be lowered to a B grade of 83%).

For more detail, please consult your CIEE Academic Manual.

Academic Integrity

Academic integrity is essential to a positive and inclusive teaching and learning environment. All students are expected to complete coursework responsibilities with fairness, respect, and honesty. Failure to do so by seeking

unfair advantage over others or misrepresenting someone else's work as your own can result in grade penalties or disciplinary action. See the CIEE Student Academic Manual for further information on academic integrity.

N.B. Course schedule and co-curriculars are subject to change. The final duration and distribution of content and assignments will be determined and presented to students at the onset of the course.

Weekly Schedule

Week 1

Class: 1.1 Introduction to the Course

Reading: Eun-Resnick, chapter 1 (pp. 5-8)

Class: 1.2 Globalization of the World Economy

Globalized financial markets, the EU and trade liberalization.

Reading: Eun-Resnick, chapter 1 (pp. 8-18)

Week 2

Class: 2.1 The International Monetary System I

Bretton Woods System, flexible ER regime and current ER arrangements

Reading: Eun-Resnick, chapter 2 (pp. 31-40, 56-58)

Class: 2.2 The International Monetary System II

European monetary system and recent financial crises

Reading: Eun-Resnick, chapter 2 (pp. 40-56)

Week 3

Class: 3.1 Balance of Payments I

Balance of payments account and identity

Reading: Eun-Resnick, chapter 3 (pp. 62-73 and appendix 3A)

Class: 3.2 Balance of Payments II

The Dollar and the Deficit. BP exercises and problem solving

Reading: Eun-Resnick, chapter 3 (pp. 74-75)

Week 4

Class: 4.1 Financialization: Causes and Consequences

Financial culture, tax heavens and speculative finance

Reading: Murillo, chapter 5 ("Financial globalization", pp. 8-29)

Quiz 1

Class: 4.2 World Economic Forum: Towards a Sustainable Financial Globalization

Activity: each team will take the role of an organization and prepare for debate

Reading: research on the mission and goals of the organization assigned to you

Week 5

Class: 5.1 Market for Foreign Exchange I

Market participants and spot FX trading

Reading: Eun-Resnick, chapter 5 (pp. 113-128)

Class: 5.2 Market for Foreign Exchange II

The forward market and exchange-traded currency funds

Reading: Eun-Resnick, chapter 5 (pp. 129-135)

Week 6

Class: 6.1 Market for Foreign Exchange III

The Turkish Lira crisis

Class: 6.2 Midterm Exam

Week 7

Class: 7.1 International Parity Relationships I

Interest rate parity

Reading: Eun-Resnick, chapter 6 (pp. 140-147)

Class: 7.2 International Parity Relationships II

Purchasing power parity and the Fisher Effect

Reading: Eun-Resnick, chapter 6 (pp. 148-157)

Week 8

Class: 8.1 Futures and Options on Foreign Exchange I

Currency futures market

Reading: Eun-Resnick, chapter 7 (pp. 174-180)

Class: 8.2 Futures and Options on Foreign Exchange II

Currency options market; American vs. European options

Reading: Eun-Resnick, chapter 7 (pp. 181-192)

Week 9

Class: 9.1 Management of Transaction Exposure

Forward and money market hedge; hedging via lead and lag

Reading: Eun-Resnick, chapter 8 (pp. 198-211)

Class: 9.2 Management of Economic Exposure

Determinants and tools of operating exposure

Reading: Eun-Resnick, chapter 9 (pp. 226-239)

Week 10

Class: 10.1 Management of Translation Exposure

Translation methods; balance sheet and derivatives hedge

Reading: Madura chapter 17 (pp. 244-257)

Quiz 2

Class: 10.2 Guest Speaker (TBA)

Week 11

Class: 11.1 Long-term Financing I

Debt denomination, debt maturity and fixed vs. floating debt

Reading: Madura chapter 18 (pp. 551-560)

Class: 11.2 Long-term Financing II

Parallel loans and interest rate swaps

Reading: Madura chapter 18 (pp. 556-558 and 561-565)

Final project draft due

Week 12

Class: 12.1 International Cash Management

Centralized cash management and the effective yield

Reading: Madura, chapter 21 (pp. 617-626)

Class: 12.2 Presentation of Final Project

Week 13

Class: 13.1 Final Exam

Course Materials

Readings

EUN / RESNICK. *International Financial Management*. McGraw-Hill, 2018, 8th edition

MADURA. *International Financial Management*. Cengage Learning, 2017, 13th edition.

MURILLO. *From Walmart to Al Qaeda. An Interdisciplinary Approach to Globalization*. Routledge, 2015.

Online Resources

www.economist.com - analytical articles on world economic/political affairs

www.nyse.com - New York Stock Exchange

www.nasdaq.com - Nasdaq Stock Exchange

www.eurunion.org - EU guide for Americans

www.ft.com - Financial Times, international news, economy, corporate activities, shares

www.oecd.org - Organisation for Economic Co-operation and Development

www.londonstockexchange.com - London Stock Exchange

www.imf.org - International Monetary Fund

www.nytimes.com - World news, critical editorials

www.worldbank.org/ - World Bank

www.stockex.co.uk - Stock Ex Financial Market News

www.tse.or.jp/english/ - Tokyo Stock Exchange

<https://www.cia.gov/library/publications/the-world-factbook/> - Central Intelligence Agency: The World Fact Book

