



蘇州大學
Soochow University

FIN 101 International Finance

Summer 2024

Course Credits: 4

Contact Hours: 56 hours

Instructor: TBA

Email: TBA

COURSE OBJECTIVES

This course focuses on international financial management and international trade. Topics in financial management, viewed primarily from the perspective of managers doing business overseas, include the management of foreign exchange exposure, foreign direct investment decisions, and multinational capital budgeting. Other topics covered include trends in international banking, the balance of payments, world monetary system, the determination of exchange rates, debt crisis, etc. We will also examine the challenges and problems faced by firms planning on doing business all the world.

Upon Completion of this Course, students will be able to:

1. Fully understand today's economic and financial environment, while enabling you to evaluate and finance alternative investment opportunities and manage stellar portfolios;
2. Analyze financial and non-financial institutions and markets, particularly the optimal allocation of scarce financial assets, including money, loans, bonds, stocks, and currencies;
3. Explain and apply insights provided by behavioral economics into expectations formation and decision making on the foreign exchange market;
4. Apply the theories and models covered to the issue of optimal currency areas, with specific reference to the design and operation of the euro;
5. Deal with potential challenges within finance like time, information, uncertainty, diversification, and hedging and asset management, all while concentrating on empirical predictions.



PREREQUISITES

ECO 211 Macroeconomic Theory I; ECO 212 Macroeconomic Theory II

GRADING

Grades will be determined by accumulating points, with 100 points being the maximum, as follows:

ITEM	POINTS
Assignments	40 Points
Midterm	25 Points
Final Exam	35 Points
Total	100 Points

Late submissions will be graded at the end of the course. Grades will be assigned according to the following rule:

$$A \geq 90 > B \geq 80 > C \geq 70 > D \geq 60 > F.$$

We reserve the right to make adjustments to the overall grading policy.

COURSE MATERIALS

Required Texts:

International Finance Theory and Policy by Paul R. Krugman, Maurice Obstfeld, Marc J. Melitz, 11th Edition, 2017.

Recommended (Optional) Texts or Other Materials:

International Finance by Steve Suranovic, George Washington University, 2010.

COURSE TOPICS

MODULE	TASKS
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Module 1	<p>Topics: Topic 1: What is International Economics About? International Economics: Trade and Money Topic 2: National Income Accounting and the Balance of Payments; The National Income Accounts Topic 3: National Income Accounting for an Open Economy; The Balance of Payments Accounts Topic 4: Exchange Rates and the Foreign Exchange: An Asset Approach; Exchange Rates and International Transactions Topic 5: The Foreign Exchange Market; The Demand for Foreign Currency Assets Topic 6: Equilibrium in the Foreign Exchange Market; Money, Interest Rates, and Exchange Rates Money Defined: A Brief Review</p> <p>Assessments: Assignment#1</p>
Module 2	<p>Topics: Topic 7: The Demand for Money by Individuals; Aggregate Money Demand Topic 8: The Equilibrium Interest Rate: The Interaction of Money Supply and Demand; The Money Supply and the Exchange Rate in the Short Run Topic 9: Money, the Price Level, and the Exchange Rate in the Long Run; Inflation and Exchange Rate Dynamics Topic 10: Price Levels and the Exchange Rate in the Long Run; The Law of One Price; Purchasing Power Parity Topic 11: A Long-Run Exchange Rate Model Based on PPP; Empirical Evidence on PPP and the Law of One Price Topic 12: Explaining the Problems with PPP; Beyond Purchasing Power Parity: A general Model of Long-Run Exchange Rates</p> <p>Assessments: Assignment#2</p>
Module 3	<p>Topics: Topic 13: International Interest Rate Differences and the Real Exchange Rate ; Real Interest Parity Topic 14: Output and the Exchange Rate in the Short Run; Determinants of Aggregate Demand in an Open Economy; The Equation of Aggregate Demand Topic 15: How Output Is Determined in the Short Run Output Market Equilibrium in the Short Run: The DD Schedule Topic 16: Asset Market Equilibrium in the Short Run: The AA Schedule Short-Run Equilibrium for an Open Economy: Putting the DD and AA Topic 17: Schedules Together; Temporary Changes in Monetary and Fiscal Policy Inflation Bias and Other Problems of Policy Formulation Topic 18: Permanent Shifts in Monetary and Fiscal Policy; Macroeconomic Policies and the Current Account</p>



	<p>Assessments: Midterm Assignment#3</p>
Module 4	<p>Topics: Topic 19: Gradual Trade Flow Adjustment and Current Account Dynamics; The Liquidity Trap; Fixed Exchange Rates and Foreign Exchange Intervention; Central Bank Intervention and the Money Supply Topic 20: How the Central Bank Fixes the Exchange Rate Stabilization ; Policies with a Fixed Exchange Rate Balance of Payments Crises and Capital; Flight Managed Floating and Sterilized Intervention; Reserve Currencies in the World Monetary System Topic 21: The Gold Standard; International Monetary Systems: An Historical Overview; Macroeconomic Policy Goals in an Open Economy; Classifying Monetary Systems: The Open-Economy; Monetary Trilemma Topic 22: International Macroeconomic Policy under the Gold Standard, 1870-1914; The Interwar Years, 1918-1939; The Bretton Woods System and the International Monetary Fund Topic 23: Analyzing Policy Options for Reaching Internal and External Balance; The External Balance Problem of the United States under Bretton Woods Topic 24: The Case for Floating Exchange Rates What Has Been Learned Since 1973? Assessments: Assignment#4</p>
Module 5	<p>Topics: Topic 25: Financial Globalization: Opportunity and Crisis; The International Capital Market and the Gains from Trade; International Banking and the International Capital Market Topic 26: Banking and Financial Fragility; The Challenge of regulation International Banking; How well have International Financial Markets Allocated Capital and Risk? Topic 27: Optimum Currency Areas and the Euro; How the European Single Currency Evolved Topic 28: The Euro and Economic Policy in the Euro Zone; The Theory of Optimum Currency Areas; The Euro Crisis and the Future of EMU Topic 29: Developing Countries: Growth, Crisis, and Reform Income, Wealth, and Growth in the World Economy; Structural Features of Developing Countries; Developing-Country Borrowing and Debt East Asia: Success and Crisis Topic 30: Developing-Country Borrowing and Debt; East Asia: Success and Crisis; Reforming the World's Financial "Architecture" Understanding Global</p>



	Flows and the Global Distribution of Income Assessments: Final Exam
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ATTENDANCE

1) Class attendance is required. Missing classes without permission will lead to decrease in overall grade.

Missing less than two classes: no penalty.

Missing more than two classes: 7% will be taken off from the overall grade.

If the instructor reports a student's frequent missing of class to the Soochow University Academic Administration Office, the student might get a written warning and might be prohibited from attending final exam.

2) Participants in this course are expected to arrive in class promptly and adequately prepared. The primary objective of this course is to critically engage with the readings and the subject matter. Therefore, course participants are expected to have completed the reading prior to class and prepare thoughtful reflections/commentaries to share with fellow colleagues.

LEARNING REQUIREMENTS

- 1) Late assignments are not acceptable and are subjected to grade deductions.
- 2) Assignments submitted in the wrong format will be counted as not submitted.
- 3) Failure to submit or fulfill any required course component results in failure of the class.
- 4) Make-up for midterm and final exams only with valid excuses, as defined by the University.
- 5) In order to earn a Certificate of Completion, participants must thoughtfully complete all assignments by stated deadlines and earn an average quiz score of 50% or greater.

TECHNOLOGY POLICY

The use of electronic devices in class is distracting, both for the user and for the rest



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of the class. Only non-programmable calculators can be used in the tests and exam. Any attempts to use cell phones and other electronic communication devices will be seemed as cheating. Laptops are discouraged, unless you use them for activities DIRECTLY related to the course (eg., note taking, reading course documents).

ACADEMIC INTEGRITY POLICY

Soochow University highly values the academic integrity and aims to promote the academic fairness, honesty and responsibility. Any academic dishonesty behaviors and any attempts to cheats and plagiarism will be reported to the university administration office. A written warning and the relevant penalties will be imposed. The record might be shown on the official university transcript.

DISABILITY ACCOMMODATION

Soochow University is committed to maintaining a barrier-free environment so that students with disabilities can fully access programs, courses, services, and activities at Soochow University. Students with disabilities who require accommodations for access to and/or participation in this course are welcome.

Note:

Please contact the University Administrative Office immediately if you have a learning disability, a medical issue, or any other type of problem that prevents professors from seeing you have learned the course material.