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2019

### International Finance

Paul A. Hayes  
*CUNY City College*

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January 29, 2019

**The City College of New York**  
**Department of Economics and Business**  
**Economics 32150 – G: International Finance**  
**Syllabus – Spring Semester 2019**

**Instructor Contact Information**

Instructor: Paul A. Hayes  
Office Hours: Scheduled by email  
Email: phayes@ccny.cuny.edu

**Course Time and Location**

Time: Tuesdays 5:00–7:00 p.m.  
Classroom: NAC 4/125

**Course Description**

Macroeconomic theory and policy in open economy. Issues associated with balance of payments disequilibrium, fluctuating currency values, international factor flows and international capital mobility. Extensions of Keynesian model; monetary and fiscal policy for internal and external balance, macro policy coordination.

**Course Objectives**

Students will be challenged to:

- Broaden knowledge about continuously evolving topics in international finance
- Understand the history and theories which have led to the development of our current international monetary systems and how multinational firms manage within those systems
- Analyze and interpret different types of primary sources important to international financial management
- Further develop critical thinking, writing and presentation skills

**Reading Material**

Required textbook: None, as this is an OER class  
Readings will be placed on Blackboard

**Grading and Other General Course Policies**

- International Finance Paper (Mar 26) – 20% No late papers accepted
- International Finance Presentation (Date Individually Scheduled) – 5%
- First Exam (Mar 5)– 20% No late exams accepted
- Second Exam (Apr 9) – 20% No late exams accepted
- Final Exam (During exam period) – 20% No late exams accepted
- Class Participation – 15% Class participation involves being full participants class activities which is only possible if you complete required assignments prior to class, think critically about the assignments, and be ready to contribute your questions and ideas to the class discussion. Students are expected to attend class, arrive on time, listen actively, take notes, be respectful and supportive towards classmates and instructor, and to not be distracted by electronic

devices. Class participation grades will include completing the weekly multiple choice questions on the readings which will be posted on Blackboard.

If it is beneficial to you, then I will drop your lowest midterm exam grade and transfer the weight evenly to the remaining midterm and final exam. All exams are closed-book and taken in class during our regularly scheduled sessions, including the scheduled final exam period during final exam week. Calculators are required for exams, and phones are not permitted for use during exams. Exams will be a combination of multiple choice and short answer questions. There will be no make-up exams (which is one of the reasons I allow one of the first two exams to be dropped). There will be no incompletes granted in this class. All work must be completed on time. Plagiarized papers will automatically receive a 0. For definitions and examples of plagiarism see CUNY Policy on Academic Integrity. Class recording devices are not permitted.

### **Class Schedule and Readings**

Week 1 (Jan 29)	Topic 1: Globalization of Finance and the International Monetary System <ul style="list-style-type: none"><li>• Helleiner, "What's Been Missing from Conventional Histories of Bretton Woods?," 17-34.</li></ul>
Week 2 (Feb 5)	Topic 2: FX Markets and FX Rates <ul style="list-style-type: none"><li>• Sager and Taylor, "Under the Microscope: The Structure of the Foreign Exchange Market," 81-95.</li></ul>
Feb 12	No Class (college closed)
Week 3 (Feb 19)	Topic 3: FX Derivatives <ul style="list-style-type: none"><li>• BIS Annual Economic Report 2018, "Cryptocurrencies: Looking Beyond the Hype," 91-114.</li><li>• Video: Andrew Lo, "Finance Theory I, Session 9: Forward and Futures Contracts I," MIT Open Courseware</li></ul>
Week 4 (Feb 26)	Topic 3 Continued <ul style="list-style-type: none"><li>• FX instrument problem set on Blackboard</li><li>• Other readings posted on Blackboard</li></ul>
Week 5 (Mar 5)	First Exam (Topics 1 – 3)
Week 6 (Mar 12)	Topic 4: Measuring Simple FX Exposures and Managing Exposures with Forwards and Options <ul style="list-style-type: none"><li>• "Case 1: Hedging Basic Currency Risks" on Blackboard</li></ul>
Week 7 (Mar 19)	Topic 5: Measuring and Managing More Complex FX Exposures <ul style="list-style-type: none"><li>• "Case 2: Hedging More Complex Currency Risks" on Blackboard</li><li>• Video: Andrew Lo, "Finance Theory I, Session 11: Options II," MIT Open Courseware</li></ul>
Week 8 (Mar 26)	Topic 6: Balance of Payments, Intl. Factor Flows, and Capital Mobility <ul style="list-style-type: none"><li>• Paper due!!!</li><li>• WritingCenter.UNC.edu, "Introductions."</li><li>• WritingCenter.UNC.edu, "Paragraphs."</li><li>• WritingCenter.UNC.edu, "Conclusions."</li></ul>
Week 9 (Apr 2)	Topic 7: Cash and Banking Structures, Transfer Pricing and Intl. Trade Finance

	<ul style="list-style-type: none"> <li>• Deloitte, “Cash Pooling: Key Benefits and Tax Considerations,” 1-20.</li> <li>• Other readings posted on Blackboard</li> </ul>
Week 10 (Apr 9)	Second Exam (topics 4-7)
Week 11 (Apr 16)	Topic 8: Intl. Debt and Equity Markets <ul style="list-style-type: none"> <li>• Video: Niall Ferguson “The Ascent of Money, Episode 2,” (2009).</li> <li>• Other readings posted on Blackboard</li> </ul>
<b>SPRING RECESS (Apr 19 – Apr 28)</b>	
Week 12 (Apr 30)	Topic 9: Political Risk and Country Risk <ul style="list-style-type: none"> <li>• Jeff Madura, “International Financial Management,” Chapter 16 Country Risk Analysis, 497-519</li> <li>• Cosset and Roy, “The Determinants of Country Risk Ratings,” 135-142 (Palgrave 1991).</li> <li>• Link: Euler Hermes website on country risk</li> </ul>
Week 13 (May 7)	Topic 10: Financial Crisis in Latin America <ul style="list-style-type: none"> <li>• Damill, Renkel and Rapetti, “Financial and Currency Crises in Latin America” CEDES Argentina</li> <li>• Duncan Green, “Silent Revolution: The Rise and Crisis of Market Economies in Latin America,” Chapter 3-The Lost Decade, Latin America 1982-1991, 72-90 (Monthly Review Press, 2003)</li> </ul>
Week 14 (May 14)	Course Review and Discussion
During Exam Period	Final Comprehensive Exam

### **Policy on Attendance**

Students are expected to attend every class session and to be on time. Instructor has the right to drop a student from a course for excessive absence. Instructor may treat lateness as equivalent to absence. No distinction is made between excused and unexcused absences. Note: College Bulletin sets the default policy that a student may be dropped if absent more than 2 classes for classes meeting once a week.

Early in the semester the Registrar requests instructors to report any students who have not attended a class. These students will be dropped from the course.

### **Policy on Academic Integrity**

As stated in the CUNY Policy on Academic Integrity: “Academic dishonesty is prohibited in The City University of New York. Penalties for academic dishonesty include academic sanctions, such as failing or otherwise reduced grades, and/or disciplinary sanctions, including suspension or expulsion. Definitions and Examples of Academic Dishonesty:

- Cheating is the unauthorized use or attempted use of material, information, notes, study aids, devices or communication during an academic exercise. ...
- Plagiarism is the act of presenting another person’s ideas, research or writings as your own. ...
- Obtaining unfair advantage is any action taken by a student that gives that student an unfair advantage in his/her academic work over another student, or an action taken by a student

through which a student attempts to gain an unfair advantage in his or her academic work over another student. ...

- Falsification of Records and Official Documents”

CUNY’s policy is here:

[http://policy.cuny.edu/manual\\_of\\_general\\_policy/article\\_i/policy\\_1.03/#Navigation\\_Location](http://policy.cuny.edu/manual_of_general_policy/article_i/policy_1.03/#Navigation_Location)

### **Accommodation of Disability**

The Office of Student Disability Services (SDS) is dedicated to providing students with disabilities equal access to the College curriculum. The Office ensures that, upon request, qualified students with disabilities are provided reasonable and effective accommodations, as mandated by law, as well as appropriate support services.

Students who contact SDS and indicate that they have a disability or believe that they might qualify for services will be asked to make an appointment for an intake interview with SDS staff. To qualify for services, students must register with SDS by providing appropriate documentation from a qualified professional describing the nature of their disability and functional limitations. Although academic adjustments are mandated by law, the College is not required to alter demonstrably essential academic requirements of a course of study nor is the College mandated to lower or effect substantial modifications of reasonable academic standards.

Early planning is essential for many of the resources, adjustments and accommodations; students are asked to contact SDS at the earliest possible date.

### **ASSIGNMENT: INTERNATIONAL FINANCE PAPER**

**DUE DATE: No later than March 26**

#### **Assignment Objective**

This assignment is designed to do the following:

1. Build critical reading skills
2. Develop ability to interpret primary sources
3. Develop writing skills

#### **Requirements**

Write a short thesis paper on an International Financial Management topic about which you have a curiosity to learn more than will be covered in class. The essay topic has to be agreed by the instructor prior to beginning work on the assignment. The paper must have a central organizing thesis and include at least 5 referenced sources which include at least 2 primary sources. Students should demonstrate in their writing that they have analyzed and interpreted the primary sources, and also demonstrate how the primary sources contribute to their thesis. All primary and secondary sources should be appropriately referenced. Your essay should be at least 750 words in length (about 3 pages) and should follow the Guidelines and Format provided below.

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## **Guidelines**

1. This assignment challenges you to be the financial expert. It asks you to go beyond reading only secondary accounts written by other finance experts, economists and by the popular media
2. Do a close reading of the primary sources (by definition a *close reading* means reading the sources several times)
3. You must go beyond description of the primary and secondary sources and instead analyze and interpret the material, for example:
  - a. What do the sources NOT tell us as well as tell us?
  - b. What are the emotions of the sources?
  - c. What are the political perspectives and biases of the sources?
  - d. Which primary and secondary sources to be more reliable or relevant? Why?
4. Your essay should have a clear thesis in the introduction, supporting evidence in the body, and a summary conclusion:
  - a. Your thesis IS NOT “I’m going to compare three five secondary sources and three primary sources”
  - b. Your thesis IS a direct answer to a question you have posed (this will be discussed in class)
5. Writing Aids: Make sure to read the handouts on “Introductions,” “Paragraphs” and “Conclusions” (available on Blackboard)

## **A Dozen Formatting Points to Follow:**

1. On the left-hand corner of the first page include your name, the title of the assignment, the name of the course, the instructor’s name, and the date you are handing in the assignment. This section should be single-spaced. For example:

Student: [Student Name]  
Assignment: International Finance Paper  
Course: Economics 32150/ International Finance  
Instructor: Paul A. Hayes  
Date: [Date handing in assignment]
2. Use Times New Roman, 12-point font
3. Use black ink and plain white background
4. Staple the paper in the upper left-hand corner if delivered in hard copy
5. Do not use cover pages, plastic covers or artwork
6. Pages must be numbered on the bottom
7. Use 1-inch or 1.25 margins
8. Body of the essay should be double-spaced (do not space twice between paragraphs, that is, do not quadruple space between paragraphs)
9. To signal the start of a new paragraph, indent each paragraph (normal indent space is approx. ½ inch)
10. Do not use contractions (for example, don’t, can’t, etc.)
11. Use Chicago style citations of your 5 sources:  
[http://www.chicagomanualofstyle.org/tools\\_citationguide.html](http://www.chicagomanualofstyle.org/tools_citationguide.html)
12. Make sure to know the conventions of quotations and punctuation:  
<http://www.grammarbook.com/punctuation/quotes.asp>