



江西財經大學

JIANGXI UNIVERSITY OF FINANCE & ECONOMICS

Course Title:

International Finance

Credits: 3

Teaching hours: 48

Prerequisites: introductory economics, basic calculus and statistics

Semester: Spring Semester

Lecturer's Information:

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Course Description:

The subject matter of international finance is concerned with monetary and macroeconomic relations between countries. Broadly speaking, international finance is a macroeconomic field which examines the flow of capital across international borders, and the effects of these movements on exchange rates. Also, it is a branch of international economics, and the other branch is international trade, which investigates the determinants of goods-and-services flows across international boundaries. One distinctive feature of the ongoing globalization process is increased trade in goods, services and capital between countries.

International finance is a constantly evolving subject that deals with real world issues such as external imbalance adjustment, international policy coordination and exchange rate dynamics. It covers many theories such as the Mundell-Fleming model, the Dornbusch model, the portfolio balance model, etc, and checks their empirical relevance by statistical methods. In this course, we present international finance theory and apply it into recent international events and policy debates. The course mainly consists of 3 parts: the balance of payments, exchange rate determination and international financial system. The course needs to use a small set of very powerful analytical tools: dynamic analysis, equilibrium analysis, and regression analysis.

Method of Instruction

The method of instruction is mainly class meetings and group discussion. The PowerPoint presentations used in lecture will be made available to students during the term. A problem set will also be available. Answers to some of these optional problems will be discussed at the beginning of next week's lecture. Students are also encouraged to read the papers quoted in the assigned textbook.

Prerequisite

We assume that all students are familiar with basic economics, calculus and statistics. In particular, you should be able to solve differentiation problems and know the principle of linear regression. Moreover, good intuition of geometry will facilitate your understanding of the theories. Since this is an intermediate level course based on many economics concepts and theories, we recommend you to check your introductory economics textbook regularly and refresh yourself.

Aims and Objectives:

The purpose of this course is to build an open economy perspective for students and to improve their analytical ability toward financial issues. The course combines the use of financial theory, economic theory and mathematical tools to study the working of international financial markets, the mechanism of external balance and the importance of policy coordination. We hope that by the end of this course, students will be able to analyze issues related to international finance in a systematic, comprehensive and logical way, and propose their insights to real world problems such as global imbalance, exchange rate disputes, international capital flow and European sovereign debt crisis, etc.

Teaching Methods:

Teaching methods will involve a combination of formal lectures, group work, case study, and presentation. Students will be encouraged to apply what you learned to explain and forecast international financial issues.

Assessment:

Final Written Examination	70%
Homework Assignments	20%

Case Study	10%
Total	100%

To achieve a pass grade in this course, students must obtain 60% or more as an aggregate mark on the assessment.

Final Written Examination

Final written examination is designed to cover the learning outcomes for the course and to test skill development. Questions are set not only to test students' basic comprehension of the syllabus but also their ability to apply such knowledge in particular contexts.

Homework Assignments

Homework Assignments are designed to assess the students' ability to solve some complex problems concerning international finance theory and government policy. Homework should be submitted via Email or be handed in printed copy on designated date.

Case Study and Presentation

Case study is designed to assess the students' ability to put international finance theory into application. Students are required to study some real-world international issues by using the theories and models, and present their findings in class.

Team Work

Students are required to form team to jointly finish homework and make presentation. Team members will work together to produce a joint report, and each member of a team will receive the same mark for the report. It is up to each team to allocate responsibilities between team members and organize its own work.

Your Input:

You will be expected:

1. to preview the textbook and related papers;
2. to participate in class discussion and share our understanding of current international events;
3. to finish your homework and try to write some short papers.

If you encounter any confusion or difficulty in the process, please contact the lecturers.

Text Book and Indicative Reading List:

The primary text book:

John Marthinsen (JM): Managing in a Global Economy: 2nd edition.

Also, the following two texts will be intensively quoted in this course.

1. Krugman and Obstfeld (KO) :International Economics: 8th edition.
2. Thomas Pugal (TP): International Finance: 15th edition.

Calendar of Teaching Activities:

	Schedules	Chapters
Week 1	Lecture	JM Ch.1
Week 2	Lecture	JM Ch. 2
Week 3	Lecture	JM Ch.4
Week 4	Lecture	JM Ch.6
Week 5	Lecture	JM Ch.11
Week 6	Lecture	JM Ch.14
Week 7	Lecture	JM Ch.15
Week 8	Lecture	JM Ch.16
Week 9	Lecture	JM Ch.16
Week 10	Lecture	JM Ch.17
Week 11	Lecture	JM Ch.18
Week 12	Lecture	JM Ch.19
Week 13	Lecture	KO Ch.18
Week 14	Lecture	JM Ch.20
Week 15	Lecture	JM Ch.22
Week 16	Q&A	
Final exam	Time to be announced	

Course Outline:

Week 1: Introduction to International Macroeconomics

Week 2: Taking an Economic Pulse: Measuring National Output and Income

Week 3: Inflation, Real GDP, and Business Cycles

Week 4: Monetary Aggregates: Measuring Money

Week 5: Interest Rates and Why They Change

- Week 6:** Basics of Foreign Exchange Markets
- Week 7:** Exchange Rates: Why Do They Change?
- Week 8:** Balance of Payments Fundamentals
- Week 9:** Balance of Payments Fundamentals
- Week 10:** Three-sector Model
- Week 11:** Economic Shocks to Nations with Flexible Exchange Rates
- Week 12:** Economic Shocks to Nations with Fixed Exchange Rates
- Week 13:** International Monetary System
- Week 14:** International Financial crisis
- Week 15:** Long-Term Exchange Rate Movements and Comparative Advantage
- Week 16:** Q & A