



Vesalius College Brussels

BUS325

International Finance

Spring 2018

6ECTS

Contact Details for Professor

Dr. Jeffrey Franks

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Classes on Wednesday 18:00- 21:00

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Course description:

The course aims at providing a solid understanding of international finance within a complex capital markets context. It emphasizes the managerial perspective of finance for a multinational corporation (MNC). Based on macroeconomic and institutional foundations, advanced techniques and instruments for managing the foreign exchange exposure and risk of MNCs are developed. The course further addresses international banking and money markets. Students will be prepared to, and provided with the skills required for, international investment management, cross-border acquisitions, international capital budgeting, and multinational cash management and trade financing.

Further description

The economies of the world are increasingly interconnected. While 50 years ago, the primary economic links between countries were in the exchanges of goods, today financial flows are far consequential than trade. Trade finance, investment, loans, and foreign exchange transactions constitute a multi-trillion euro business annually. While these flows have helped fuel economic growth around the world, they also leave countries much more exposed to contagion from

economic difficulties elsewhere. This course aims at providing a solid understanding of international economics and finance. We will explore balance of payments analysis, exchange rates and their determination, and financial globalization. We will look at the challenges and opportunities presented by single currency areas like the Euro area. We will discuss the downsides of financial globalization and examine how financial crises are transmitted internationally. Finally, we will explore how multinational firms use financial instruments to finance their operations and reduce risks.

Course Prerequisites

ECN 101G, BUS101G, HUM101G, BUS222G

Learning Objectives

See below

Active Learning

Learning should be an active experience. Students who passively listen to lectures, copy someone else's notes, and limit their readings to the bare minimum are unlikely to develop their critical thinking potential and expand their personal knowledge system. This might not only pose problems during the course and the exams, but also during your later career.

Students are strongly recommended to have an updated understanding of current events. Active learning will turn out to be enriching to the overall course and class discussions. For this course, it is strongly recommended to keep yourself up to date through newspapers such as the Financial Times, and weekly magazines, such as the Economist.

Course Materials

Textbook:

International Economics: Theory and Policy by Paul Krugman, Maurice Obstfeld, and Marc Melitz, 10th Edition, Global Edition. The 11th Edition is expected to be available in February and could also be used.

For the final week of the course, we will use Stiglitz, Joseph, 2017. Globalization and its Discontents Revisited: Anti-globalization in the Era of Trump.

We will also use readings from International Finance by Cheol Eun, Bruce Resnick; 7th edition published by McGraw-Hill Education to cover the section of the course dealing with Financial

management.

There will be weekly “current events” readings with 1-2 short news articles on topics in the news related to the course material. These readings will be assigned one week in advance. Students will be expected to have read this material and be prepared to discuss in class at the beginning of each session. Students will take turns in leading the discussion, which will constitute the “critical news reflection” grade discussed below.

Grading Scale of Vesalius College

Vesalius College grading policy, in line with the Flemish Educational norms, is stated below:

Grade	Scale of 20	Scale of 100
A	17.0-20.0	85-100
A-	16.1-16.9	81-84
B+	15.3-16.0	77-80
B	14.5-15.2	73-76
B-	13.7-14.4	69-72
C+	13.1-13.6	66-68
C	12.3-13.0	62-65
C-	11.5-12.2	58-61
D+	10.7-11.4	54-57
D	10.0-10.6	50-53
F	Below 50	0-49

Course Assessment

The students will be evaluated on the basis of their performance as follows:

Critical news reflection	10%
Written essay	30%
Mid-term examination	30%
Final examination	30%
TOTAL	100%

Grading Criteria

The following criteria will be applied in assessing your written work:

- Evidence of understanding the concepts, theories and ideas developed in the course.
- Ability to apply the acquired theoretical knowledge towards analyzing and solving financial assignments and case studies.

Additional Course Policies

1. Students are requested to study the chapters assigned each week in order to be able to ask questions regarding the course content. This will further ensure that students are gradually building up their knowledge and have a clear idea about the concepts discussed in class and benefit from the course to the maximum degree.
2. Class attendance is mandatory. A medical certificate is required. If you do not have a medical certificate, your advisor will be contacted.
3. Grammar, spelling, lay-out and punctuation are important during your career. Please do use the appropriate tools before submitting any assignment.
4. Late assignments will incur a penalty of 5 percentage points per calendar day late. Late exams will only be administered with a medical statement.

Academic Honesty Statement

Academic dishonesty is **NOT** tolerated in this course.

Academic honesty is not only an ethical issue but also the foundation of scholarship. Cheating and plagiarism are therefore serious breaches of academic integrity.

Following the College policy, cheating and plagiarism cases will be communicated in writing to the Associate Dean for Students and submitted to the Student Conduct Committee for disciplinary action. If you refer to someone else's work, appropriate references and citations must be provided.

Course Schedule

Week 1 (24 Jan):

- Introduction
- Historical perspectives
- National income accounting and the balance of payments

Readings:

Krugman, et al, Chapter 1 What is International Economics About?

Krugman, et al, Chapter 19 International Monetary Systems: An Historical Overview

Krugman, et al, Chapter 13 National Income Accounting and the Balance of Payments

Jean-Pierre Landau, "Europe must create its own 'big bazooka' monetary fund",

<https://www.ft.com/content/f17a6464-db3d-11e7-9504-59efdb70e12f>

Supplementary Readings:

Eun & Resnick, Chapter 2, International Monetary System.

Eun & Resnick, Chapter 3, Balance of Payments.

Week 2 (31 Jan.):

- Exchange rates
- Interest Rates, Expectation and Equilibrium

Readings:

Krugman, et al, Chapter 14 Exchange Rates and the Foreign Exchange Market: An Asset Approach

Week 3 (7 Feb.):

- Money supply and demand
- Money supply and the exchange rate
- Inflation rate and Exchange rate dynamics

Readings:

Krugman, et al, Chapter 15 Money, Interest Rates, and Exchange Rates

Week 4 (14 Feb.)

- The Law of One price and Purchasing Power Parity
- Beyond PPP

Readings:

Krugman, et al, Chapter 16 Price Level and the Exchange Rate in the Long Run

Week 5: (21 Feb.)

- Aggregate demand in an Open Economy
- Output market equilibrium
- Asset market equilibrium
- Macroeconomic policies and the current account

Readings:

Krugman, et al, Chapter 17 Output and the Exchange Rate in the Short Run

HAND IN ABSTRACT WRITTEN ESSAY

Week 6: (28 Feb) Reading week

- Movie discussion night!
- Review for the midterm exam

Readings: (prepare a short critical reflection on one of the following movies for class discussion):

-*The Big Short* (2015)

-*Too Big to Fail* (2011)

-*Margin Call* (2011)

-*Inside Job* (2010)

- *Debtocracy* (2011)

-*Money for Nothing* (2013)

Week 7 (Mar. 7): Midterm

Week 8 (Mar. 14):

- The Gold standard
- Central bank intervention and the money supply
- Central bank policy and a fixed exchange rate
- Stabilization policies under a fixed exchange rate regime

Readings:

Krugman, et al, Chapter 18 Fixed Exchange Rates and Foreign Exchange Intervention

Week 9 (Mar. 21):

- The theory of optimal currency areas
- How the European currency evolved
- Convergence of euro area members

Readings:

Krugman, et al, Chapter 21 Optimum currency areas and the Euro

Franks, et al. 2018. "Economic Convergence in the Euro Area: Coming Together or Drifting Apart," IMF Working Papers

Week 10 (Mar. 28):

- The international capital market and gains from trade
- Banking and financial fragility
- The Global financial crisis of 2007-2010

Readings:

Krugman, et al, Chapter 20 Financial Globalization: Opportunity and Crisis

April 4, April 11 Academic Holiday

Week 11 (April 18):

- Income, wealth, and growth in the world economy
- Developing countries borrowing and debt

Readings:

Krugman, et al, Chapter 22 Developing Countries: Growth, Crisis, and Reform

HAND IN WRITTEN ESSAY

Week 12 (April 25):

- How swaps work
- Forwards
- Hedging risks

Readings:

Eun & Resnick, Chapter 14 Interest Rate and Currency Swaps

Week 13 (May 2):

- A brief history of the issues

- Critiques of globalization
- Capital account liberalization and economic crises
- Globalization and economic inequality

Readings:

Stiglitz, Joseph, 2017. Globalization and its Discontents Revisited: Anti-globalization in the Era of Trump. Chapters 1-4.

Rodrik, Dani, 2017. “Rebalancing Globalization,”
<https://drodrik.scholar.harvard.edu/publications/rebalancing-globalization>

Week 14 (May 9): Reading week

Additional information on assignments

Mid-term and final examinations

The mid-term and the final examinations will consists of calculation problems and questions requiring written answers (a few shorter and longer questions). For the mid-term, students should study the materials covered in class over the first weeks. For the final examination, students should study everything up from the weekend after the mid-term.

Location and time will be announced once the mid-term and final exam schedule are posted.

The examinations will test both the theoretical knowledge of the concepts and tools described in class, as well as exercises testing the student’s capability to apply that knowledge. For grading, see rubric hereunder. Of course, points in between the benchmarks in the rubric can be scored if the answer is graded as in between two benchmarks by the instructor.

Criteria					
	10 points	7.5 points	5 points	2.5 points	0 Points
Problems requiring calculations (3 questions, max 10 points each)	The student obtains the correct answer and shows the steps used to calculate it.	The student has made a detailed attempt to answer the question using the	The student has made an attempt to answer the question, but has failed to obtain the		The student is unable to answer the question, nor show how it

		correct method, but has failed to obtain the correct answer.	correct answer and demonstrated inadequate use of the methodology.		should be calculated.
Short questions (4 questions, max 10 point each)	The student replies correctly and exhaustively to the question.	The student replies correctly but the answer may be more complete.	The student replies correctly but the answer is excessively synthetic.	The student shows lack of knowledge on the chapter, but is able to locate the question in the course content.	The student is not able to answer the question, neither to locate the answer in the course content;
	15 points	11.25 points	7.5 points	3.75 points	0 points
Long question (2 questions, max 15 point – min 15 lines)	The student replies correctly and exhaustively to the question.	The student replies correctly but the reply may be more complete.	The student replies correctly but the reply is excessively synthetic.	The student shows lack of knowledge on the topic, but is able to locate the question in the course content.	The student is not able to answer the question, neither to locate the answer in the course content;

Note: grading scale 100.

Term project

The term project requires students to critically think about an issue in the field. The student is required to discuss with the lecturer a possible topic for the final written essay. Topics could include:

- Select a country and examine how it fared in a recent economic/financial crisis. Explore why the crisis happened, what role international finance played in the crisis and its resolution. Discuss how economic policies could have avoided the crisis and/or resolved it more effectively.
- Select an industry or economic sector and examine how globalization has affected it in recent years. How have international financial tools (fx debt, swaps, FDI, etc.) changed the way in which firms operate.
- Other topics agreed with the instructor.

By week 5 the student will deliver an abstract or executive summary (max 500 words) to allow the lecturer to understand which research question he/she wants to address. Without this, the student will not be allowed to finish his project.

The final paper needs to be delivered within week 11 after the Easter break. The paper should be up to 5000 words overall and needs to be structured with an introduction (max 500-750 words), a review of the relevant literature (max 500-750 words), a discussion/analysis (max 2500 words) and a conclusion (max 500-750 words). Further details on the content of the different parts are here below. At least 10 references should be used, of which at least 5 should be peer reviewed articles. Statistical tables/graphs need to be labelled and a clear reference to the source of the data is needed. APA format for the paper is required. The paper will need to be submitted via Turnitin. For more details on the assessment criteria please see Rubric hereunder.

Introduction	The introduction serves for presenting the research topic, the research question, the rationale supporting the research, and the theoretical framework of the paper (including a brief description of the methodology/data used).
Discussion/ Review of the literature	This section introduces the relevant literature with the aim of summarizing different interpretations or contending perspectives.
Analysis	This section elaborates on the topic of the research proposed in the introduction. Referring to the literature described in the previous section the student is invited to corroborate one of the different views or to propose a new one. Of major importance are

	the arguments referred to for sustaining the suggested thesis. Students are strongly invited to use statistical data and tools or as sound analytical methodology (even only sketched) to support their arguments.
Conclusions	A summary of your argument sustained by a critical analysis of both selected theories/concepts and data plus possible indications to improve the work in the future.
References	At least 10 academic references from academic sources.

	Excellent 15 points	Good 11.25 points	Fair 7.5 points	Poor 3.75 points
Introduction 15 points maximum	Topic subject fits all the requirements of the assignment and is of particular interest/relevance	Topic subject fits all the requirements of the assignment.	Topic subject fits the basic requirements of the assignment.	Topic subject does not fit the assignment.
	Excellent 20 points	Good 15 points	Fair 10 points	Poor 5 points
Review of the literature 20 points maximum	The essay takes into consideration all the relevant literature and distinguish clearly between the different schools of thought/methodologies adopted/	The essay takes into consideration all the relevant literature	The essay takes into consideration only a part of the relevant literature	The essay takes into consideration a very little part of the literature or describes it in a confusing/misleading way
	Excellent 30 points	Good 22.5 points	Fair 15 points	Poor 7.5 points

Analysis 30 points maximum	All required content areas are addressed and covered in depth using a variety of documented sources. - Paper meets the required length and ideas are fully developed with clarity and brevity	All required content areas are addressed and supported with documented sources. - Paper meets the minimum required length while fully addressing each area - Body content is directly related to thesis.	Most required content areas are addressed minimally. - Paper meets the minimum required length	Major required topics are missing completely or lacking adequate consideration - Paper is well below required length
	Excellent 10 points	Good 7.5 points	Fair 5 points	Poor 2.5 points
Conclusions 10 points maximum	The conclusions of the essay are relevant, well-structured and suggest further interesting developments.	The conclusions of the essay are relevant and well structured.	The conclusions of the essay are relevant.	The paper lacks of relevant conclusions
	Excellent 8.5 points	Good 6.4 points	Fair 4.25 points	Poor 2.1 points
Documentation 8.5 points maximum	- Paper follows designated guidelines with all required components.	- Paper follows all guidelines but contains slight errors in citation formatting.	- Paper follows most guidelines. -Formatting is mostly accurate with most required components.	- Paper lacks many elements of correct formatting such as citations, title page, references, page numbers.

	Excellent 8.5 points	Good 6.4 points	Fair 4.25 points	Poor 2.1 points
Organization & Structure 8.5 points maximum	<ul style="list-style-type: none"> - Structure of the paper is clear. - Introduction previews all major points. - Paragraph transitions are logical. - Conclusion flows from the body of paper. 	<ul style="list-style-type: none"> - Introduction does not preview all major points. - Paragraph transitions need improvement. - Conclusion does not flow well from the body of paper. 	<ul style="list-style-type: none"> - Introduction and/or conclusion missing. - Paragraphs are disjointed and lack transition of thoughts. 	<ul style="list-style-type: none"> - No structure present. - Paragraphs too long and rambling. - Information presented in list style without thesis statements and form.
	Excellent 8 points	Good 6 points	Fair 4 points	Poor 2 points
Grammar, Punctuation & Spelling 8 points maximum	<ul style="list-style-type: none"> - Paper contains no errors in grammar, punctuation or spelling. - Language is clear and precise. - Language syntax is smooth and academic. 	<ul style="list-style-type: none"> - Paper contains less than 1- 2 errors in grammar, punctuation and spelling. - Language is understandable. - Language syntax is mostly smooth and academic. 	<ul style="list-style-type: none"> - Paper contains few grammatical, punctuation and spelling errors. - Language is confusing occasionally. - Language syntax is awkward or too informal occasionally. 	<ul style="list-style-type: none"> - Paper contains numerous grammatical, punctuation, and spelling errors. - Language is confusing and hard to follow throughout. - Language syntax is awkward or too informal most of the time.

Critical News Report (10 points)

Every week, a student (or group of students, depending on class size) will be required to prepare a short commentary on a news article. Sources should be well-respected news outlets (see the Economist, Financial Times,...).

Students are expected to apply the class materials to the article. They will give a short powerpoint presentation (10 minutes, max 15 slides), and offer a few guiding questions to spur the discussion among their fellow students.. The presentation rubric can be found hereunder.

CATEGORY	Excellent 4 points	Good 3 points	Fair 2 points	Poor 1 points
Preparedness	Student is completely prepared.	Student seems prepared but might have needed some more rehearsal.	The student is somewhat prepared, but rehearsal was lacking.	Student does not seem at all prepared to present.
Content	Shows a full understanding of the topic.	Shows a good understanding of the topic.	Shows a good understanding of parts of the topic.	Does not seem to understand the topic very well.
Comprehension	Student is able to accurately answer all questions posed by classmates/lecturer about the topic. Guiding questions are great.	Student is able to accurately answer most questions posed by classmates/lecturer about the topic. Guiding questions are decent.	Student is able to accurately answer a few questions posed by classmates/lecturer about the topic. Guiding questions do not directly spur discussion	Student is unable to accurately answer questions posed by classmates/lecturer about the topic. Guiding questions do not relate to content, and do not spur discussion.
Stays on Topic	Stays on topic all (100%) of the time.	Stays on topic most (99-90%) of the time.	Stays on topic some (89%-75%) of the time.	It was hard to tell what the topic was.
Time-Limit	Presentation is 10 minutes long.	Presentation is 8 minutes long.	Presentation is 6 minutes long.	Presentation is less than 6 minutes OR more than 10 minutes.

Major Learning Objectives, Teaching Methods, Testing and Feed-back Questionnaire (Business Studies)

Course code and course name: BUS 325 International finance

Instructor: Jeffrey Franks

Summary:

Number of assignments used in this course: 4

Number of Feedback occasions in this course (either written or oral): continuous

Number and Types of of Teaching Methods:

Does your course require graded student oral presentations?:no

Please fill out the following table per course you teach.

Major Learning Objectives	Course Learning objectives addressing the Major Objectives (choose the most important ones that your course actually addresses)	Methods used to Teach Course Objectives	Methods (and numbers/types of assignments) used to test these learning objectives	Type, Timing and Numbers of Feedback given to Student
The bachelor has a broad knowledge of the different functional fields of business management. He is able to apply this knowledge in the analysis of business-oriented problems and is able to propose solution to specific business problems.	x	During lectures, and research for the written assignment	Examinations (2) Written assignment	During lectures, after assignments
The bachelor has an understanding of the interrelatedness of the different functional fields of business and understands the impact of this on decision-making.	x	During lectures, and research for the written assignment. Also the critical news revision.	Examinations (2) Written assignment Critical news report	During lectures, after assignments

Major Learning Objectives	Course Learning objectives addressing the Major Objectives (choose the most important ones that your course actually addresses)	Methods used to Teach Course Objectives	Methods (and numbers/types of assignments) used to test these learning objectives	Type, Timing and Numbers of Feedback given to Student
The bachelor has insight into the broad societal context of businesses and is able to take it into account in the analysis of business-oriented problems.	x	Following the news	Critical news report	During lectures, after assignments
The bachelor knows and is able to apply common qualitative and quantitative research methods and is able to apply these in the field of business studies				
The bachelor has an open and academic attitude characterized by accuracy, critical reflection and academic curiosity.	x	Written assignment Critical news report	Written assignment Critical news report	During lectures, after assignments
The bachelor is able to identify the international dimension in business-related problems and knows how to handle these problems in an effective way.	x	Lectures	Examinations (2) Written assignment	During lectures, after assignments
The bachelor is able to work in a multi-cultural team.				
The bachelor recognizes the importance of life-long learning.	X	Critical news report	Critical news report	During lectures, after assignments
The bachelor is able to communicate clearly, fluently and accurately; as well in a written report as in an oral presentation.	X	Written assignment Critical news report	Written assignment Critical news report	During lectures, after assignments
The bachelor is able to combine ethical and business-oriented judgments in the				

Major Learning Objectives	Course Learning objectives addressing the Major Objectives (choose the most important ones that your course actually addresses)	Methods used to Teach Course Objectives	Methods (and numbers/types of assignments) used to test these learning objectives	Type, Timing and Numbers of Feedback given to Student
analysis of business problems and takes these ethical considerations explicitly into account in the solutions proposed for business problems				