CIEE Global Institute Buenos Aires, Argentina

Course name: International Finance  
Course number: (GI) BUSI 3001 BAAR  
Programs offering course: Open Campus  
Open Campus Track: Business  
Language of instruction: English  
U.S. semester credits: 3  
Contact hours: 45  
Term: Spring 2019

Course Description

This course provides students with an overview of the dynamics of the global financial and international monetary systems. Students develop knowledge of the fundamental concepts needed to understand foreign direct investment, financial flows, international trade and investment deals. As political risk and economic exposure to global events have become more immediate, special attention will be given to the 2007-2012 world banking crisis, the role of central banks in the stabilization of national economies, sovereign debts, and the specific economic challenges to which individual countries have been exposed in varying ways. Alternative views and policy measures to help struggling economies overcome the economic and financial crisis – like contracting (or expanding) government spending – will be assessed and critically analyzed.

Learning Objectives

By the end of the course, students will be able to:

- Critically analyze financial concepts and their application to the very intricate web of international economic and financial transactions.
- Discuss the determinants of international financial transactions and their consequences in the present-world economic and financial order.
- Explain the decisions taken by various agents (governments, multinational corporations, public and private banks) and how these interact in the international financial markets.
- Read and analyze economic and market indicators for a better understanding of the world panorama of economics and finance.
- Apply these indicators and criteria to financial decisions taken within multinational corporations for effective governance.
Course Prerequisites

Previous coursework in microeconomics, macroeconomics and international economics (which should include the basics of international trade) are course prerequisites. This course is not suitable for students with no previous economics classes.

Methods of Instruction

The course will be highly interactive between the instructor and the students. Students are expected to do the required readings before class so they can discuss the material among themselves and with the instructor. Power Point presentations and short video clips will be used by the instructor to introduce the material required. Students are expected to prepare questions based on their reading and interact thoughtfully in class, during business visits, and with guest speakers. The list of online references at the end of the syllabus includes web sites on financial information that should be consulted daily during the course, as finance is a dynamic and changing discipline that needs constant updating. Therefore, students will be responsible for checking selected web sites daily for in-class discussions.

Assessment and Final Grade

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Written Assignments</td>
<td>30%</td>
</tr>
<tr>
<td>In-Class Presentation</td>
<td>15%</td>
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<tr>
<td>Midterm Exam</td>
<td>15%</td>
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<tr>
<td>Final Project</td>
<td>20%</td>
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<tr>
<td>Class Participation</td>
<td>20%</td>
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Course Requirements

Written Assignments

Students are expected to write three summary papers, due on the last day of class in Weeks 2, 4, and 5. These should be 750 words in length (font 12) and should include brief summaries of visits to local companies that are international in scope. An example would be a visit with the local branch manager of a large, internationally active bank to understand the financial management styles of the country of study and how they differ with US styles. Papers should be written in APA citation style to reference your resources.

Midterm Exam
A mid-term essay exam, comprising of two essay questions, will be administered at the end of Week 3. The materials in the test will include information from lectures, case studies, guest speakers, business visits, readings, video clips, etc. The test will be open book, so students are asked to bring all of their relevant notes and materials on the day of the test. Students will complete this exam through Canvas and must have their laptops fully functional for the exam.

In-Class Presentation
Students will organize in teams of 2 to 4 people. Each team will choose a topic on international finance, which the instructor will give to the students on the first day of class, as case studies. The presentation should be in PowerPoint format and each group participant will present a part of the presentation, although all members should be familiar with the whole topic. The presentation should not last more than 15 minutes and will be followed by a Q&A session. Of utmost importance is to give examples and illustrate them with real-life financial examples. Presentations will be done at the end of selected classes according to the distribution and cases selected by students on the first week of classes.

Final Project
Students will submit a final project at the end of this course. The project will follow a specific rubric and guideline done in the last two weeks of classes. In this they will select a specific case and theme seen throughout the course and analyze it using the compulsory bibliography and alternative bibliography recommended by the instructor. The final written project should be between 1800-2200 words. The final project should be written in APA citation style to reference your resources.

Participation
Participation is valued as meaningful contribution in the digital and tangible classroom, utilizing the resources and materials presented to students as part of the course. Meaningful contribution requires students to be prepared in advance of each class session and to have regular attendance. Students must clearly demonstrate they have engaged with the materials as directed, for example, through classroom discussions, online discussion boards, peer-to-peer feedback (after presentations), interaction with guest speakers, and attentiveness on co-curricular and outside-of-classroom activities. Additionally, as part of the participation grade, students will be required to write and ask 3 – 5 questions per guest speakers and business visit. These questions must be submitted via Canvas prior to class.

Attendance Policy
Regular class attendance is required throughout the program, and all unexcused absences will result in a lower participation grade for any affected CIEE course. Due to the intensive schedules for Open Campus and Short Term programs, unexcused absences that constitute more than 10% of the total course will result in a written warning.

Students who transfer from one CIEE class to another during the add/drop period will not be considered absent from the first session(s) of their new class, provided they were marked present for the first session(s) of their original class. Otherwise, the absence(s) from the original class carry over to the new class and count against the grade in that class.

For CIEE classes, excessively tardy (over 15 minutes late) students must be marked absent. Attendance policies also apply to any required co-curricular class excursion or event, as well as to Internship, Service Learning, or required field placement. Students who miss class for personal travel, including unforeseen delays that arise as a result of personal travel, will be marked as absent and unexcused. No make-up or re-sit opportunity will be provided.

Attendance policies also apply to any required class excursion, with the exception that some class excursions cannot accommodate any tardiness, and students risk being marked as absent if they fail to be present at the appointed time.

Unexcused absences will lead to the following penalties:

<table>
<thead>
<tr>
<th>Percentage of Total Course Hours Missed</th>
<th>Equivalent Number of Open Campus Semester classes</th>
<th>Minimum Penalty</th>
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<tbody>
<tr>
<td>Up to 10%</td>
<td>1 content classes, or up to 2 language classes</td>
<td>Participation graded as per class requirements</td>
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<tr>
<td>10 – 20%</td>
<td>2 content classes, or 3-4 language classes</td>
<td>Participation graded as per class requirements; written warning</td>
</tr>
<tr>
<td>More than 20%</td>
<td>3 content classes, or 5 language classes</td>
<td>Automatic course failure, and possible expulsion</td>
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Class by class Schedule

NOTE: This schedule is subject to change at the discretion of the instructor to take advantage of current experiential learning opportunities.

Week 1
Class 1:1 Introduction to basic concepts of international macroeconomics
The main purpose of the course will be introduced in this class. International transfers in the national income accounts will be discussed as well as the national income identity in an open economy. Links between savings and the current account will be introduced. Special attention will be placed to Argentine macroeconomic dynamics.
Readings

Week 2
Class 2:1 International economic transactions and foreign exchange markets
This class will focus on the balance of payments and the foreign exchange markets. Topics such as spot and forward exchange rates, the role of interest rates, interest rate parity, covered interest rate parity will be discuss. We will discuss the Argentine exchange rate and interest rate dynamics.
Readings

Class 2:2 Money, interest rates and exchange rates
This class will focus on money, prices, interest rates, and exchange rates. Real exchange rates and real interest rates will be introduced. Purchasing power parity and exchange rate models will be discussed. We will study the inflation and exchange rate dynamics, with special attention on the pass-through in developing economies.
Readings

**Class 2:3**  
Visit to a local private financial institution

**Class 2:4**  
Fixed exchange rates and monetary policy  
This class will focus on fixed exchange rates. How does the monetary authority fix exchange rates, and central bank balance sheets will be discussed. Financial market crises and capital flight will be introduced. We will discuss the experience of Argentina with the Convertibility regime.

**Readings**  

Written Assignment 1 Due.

**Week 3**

**Class 3:1**  
International business financing and portfolio investments  
The menu of international assets will be introduced: bonds vs equity; currency derivatives in currency exchange management. Risk aversion and International Portfolio Diversification will be discussed. Focus will be placed on the structure of international banking and the international capital markets.

**Readings**  

**Class 3:2**  
The 2007-2008 financial crisis  
The financial system evolution in the new century will be introduced. Private sector leverage and the complexity of derivative markets will be discussed, as well as the role of deregulation in financial markets. We will focus on the impact of the crisis on Latin American countries. We will also discuss the role of the FED and the European Central Bank during and after the financial crush, and spillovers to the emerging markets. The international financial architecture after the crisis and G20 financial agenda will be analyzed in this class.
Readings


Class 3:3 Midterm Exam

In class Midterm Exam Due (open book)

Week 4

Class 4:1 International monetary systems: an historical overview.

We will discuss the following topics: the open economy trilemma, the Gold Standard, the Bretton Woods system with fixed exchange rates, the collapse of Bretton Woods system, US monetary policy.

Readings


Class 4:2 Multilateral Financial Institutions: purpose, history, and their influence in Latin America and Argentina.

In this class we will analyze the creation of the IMF and the World Bank at the end of the Second World War and their evolution. The International Development Bank as a specific regional bank will be discussed. The transformation of international financial governance in the eighties and their role to present will be introduced. As a case study we will discuss the 2018 Memorandum of Understanding between the IMF and Argentina.

Readings

Humphry (2012), *The business of development: Borrowers, shareholders, and the reshaping of multilateral development lending*, LSE

Week 5

Class 5.1  **Financial crisis model for developing countries**


**Readings**

Calvo and Talvi (2005), Sudden Stop, Financial Factors And Economic Collapse In Latin America: Learning From Argentina And Chile, NBER Working paper series http://www.nber.org/papers/w11153.pdf

Diaz Alejandro (1984), Good Bye Financial Repression, hello financial crush, Kellogg Institute


Outline for Final Project Due.

Class 5.2  **Latin America Sovereign debts (crises)**

In this class we will analyze the specificities of Latin America sovereign debts: the deregulation of financial markets in the seventies; liquidity of international Banks; the Latin America debt crisis of the eighties; the Brady Plan and the emerging markets in the nineties; special focus will be placed in the case of Argentina.

**Readings**


Class 5.3  **Visit to the External Debt Museum**
Class 5.4  **Sovereign debt restructurings**

We will analyze different topics of sovereign debt restructurings: Literature Survey, Data, and Stylized Facts. We will place special attention to two case studies: Greece and Argentina.

**Readings**


Written Assignment 3 Due.

**Week 6**

**Class 6:1**

An integral review of all information given during the course will be summarized and put into context. We will discuss the elements needed (??) for a new international financial architecture.

Final Project Due

**Readings, online resources and web sites**

**Readings**


Diaz Alejandro (1984), Good Bye Financial Repression, hello financial crush, Kellogg Institute


Humphry (2012), The business of development: Borrowers, shareholders, and the reshaping of multilateral development lending, LSE


**Online Resources**


Ocampo (2017), Resetting the International Monetary (non) System, Oxford University Press, [https://www.econstor.eu/bitstream/10419/173172/1/640315.pdf](https://www.econstor.eu/bitstream/10419/173172/1/640315.pdf)


Rapoza (2018), Argentina's Central Bank's Credibility 'Damaged' In Crazy Rate Moves, Forbes, May 4 [https://goo.gl/Erp5Vi](https://goo.gl/Erp5Vi)
International finance web sites


Bank of International Settlements https://www.bis.org/


Links to Argentine financial institutions

Banco Central de la República Argentina, www.bcra.gov.ar/

INDEC, Cuentas Internacionales, https://www.indec.gob.ar/nivel3_default.asp?id_tema_1=3&id_tema_2=35

Argentina Finance Secretary. https://www.argentina.gob.ar/finanzas