

# Centre for International Economics

## International Finance

Course leader Richard Tudway

### About your course

Please read this note carefully

#### A Objectives

This course will examine the structure and principal operations of the international financial economy. It will examine operations and their impact in terms of trade, the trading of financial assets and capital movements. It will also assess and risk management techniques used by governments, corporations and other entities operating internationally and the global regulatory challenges posed by these developments.

The course has four topics. **Topic one** explores the main features of the global economy. GDP (gross domestic product) and its size measured in dollar<sup>1</sup> terms and its distribution; who produces, who trades who consumes and who saves; likely future growth and development perspectives and the challenges of growth, free and fair trade and international investment<sup>2</sup>. **Topic two** explores the historical development of money markets and capital markets and their operations in the post-Bretton Woods global economy. It will examine the evolution of the foreign exchange markets in the period following the free-floating of currencies in the late 70's, the creation of the European Monetary Systems (EMS) and the launch of the **euro**. It will examine specifically the operation of global equity, debt and derivatives markets and the activities of the main financial institutions and other players, such as institutional investors and hedge funds, in these markets. **Topic three** will examine the operations associated with public and private sector international asset and liability management. This will include foreign exchange operations in the forward markets, futures, swaps and funding operations using equity, debt and other hybrids. **Topic four** will examine the role of major central banks, with particular reference to the US Federal Reserve and the European Central Bank, both domestically and internationally. The maintenance of price stability, the control of interest rates, the management of monetary policy and the management of global systemic risk will be examined alongside the principles and practice of regulation and its administration. The role played by other multilateral institutions such as the IMF and the World Bank will also be examined.

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<sup>1</sup> Including purchasing power adjusted measures

<sup>2</sup> Including FDIs (foreign direct investment)

## **B Learning outturns**

For participating students the course will aim to provide students with an understanding of:

- (i) the size, shape and development perspectives in respect of the global economy.
- (ii) international statistical sources, how these can be used and the conclusions that can be drawn about prospective developments.
- (iii) the evolution of the international financial system with particular reference to money markets and capital markets.
- (iv) the forces that have shaped the creation of the offshore banking industry and the types of products and services provided by this industry.
- (v) money and capital markets and their operations following the collapse of the Bretton Woods System and the introduction of “free floating” exchange rates and the deregulation of money and capital markets.
- (vi) the products and services offered by institutions operating in international financial markets for funding and exposure management purposes.
- (vii) how the products of international financial markets are used with reference to particular examples.
- (viii) the role of central banks and other multilateral institutions in the monitoring and control of financial risk with particular reference to systemic risk.

## **C. Required and Recommended Reading**

During the course students will be issued with written material in the form of course notes. Case material will also be issued. This is **required reading**. Several books are also identified as **recommended reading**. These are set out below.

**International Economics –Peter Lidert & Thomas Pugel [Library]**  
**International Finance – Clark, Levasseur and Rousseau [Library]**  
**Multinational Finance – Adrian Buckley [Library]**  
**Guide to Using Financial Pages – FT Publication**

Course notes will be supplemented by additional reading as directed. Students will be required to read The Economist newspaper - current and past issues which are available in the library - the Financial Times and Wall Street Journal. Details of other reference material will be announced as the course advances.

## **D. Grading Plan**

Grading will aim to measure contributions from student members throughout the duration of the course. Markings will be on a scale A to D

Grading will be made in the following four areas:

	Percent of Total Marks
1. A final examination based on the material covered. This must be returned within the time specified. (See special policies)	40
2. Two written assignments from each student on assignments to be announced. Each essay script to be returned within one week of issue (See special policies)	40
3. Specific in-class contribution	20

Grading guidelines – MBA level

The following table explains the grading system that will be used during this course.

Grade	honour points	%
A	4.0	93-100
A-	3.7	89-92
B+	3.3	85-88
B	3.0	81-84
B-	2.7	77-80
C+	2.3	73-76
C	2.0	69-72
C-	1.7	65-68
D	1.0	60-64
F	0.0	below 60

### Grading criteria

AA- This exceptional grading level is assigned only for work that has consistently outstanding quality in both substance and presentation. The student must demonstrate a sustained capacity for independent thought and extensive study, producing rigorous and convincing analyses in well-ordered prose. The A grade exclusively represents excellence.

The grades will be awarded for work that is clearly focused and analytical, and based on wide reading and well supported in terms of references used. The student must cover all the principal points of a question and systematically develop a persuasive overall thesis, allowing for no significant omissions, or points of view that are not clearly articulated.

B+ B. This range of grades indicates that the student has shown good to satisfactory evidence of original thought and intellectual initiative. The student has cited sources beyond the class materials, and shown a degree of originality in perception and approach to the subject. The work must show evidence that material has been presented with care, and shows a clear grasp of the issues. The differences between a B+ and a straight B may reflect poor presentation of the material, or mistakes in punctuation, spelling and grammar.

B- and below. Work in this grade range is not satisfactory. Grading at these levels will reflect the fact that the work shows little or no sign of genuine intellectual engagement with the issues. Should an essay fail to provide a clear answer to the question as set, or fail to argue a coherent position, the grade will fall within this overall range.