

Department of Economics

Course Outline, Spring 2023

Course Name: International Finance		
Course Code: ECON 417	Course Type (elective, major)	Course Credits: 3 Hrs.
Class Timings: 14:00 to 15:15 T R (A)	Section: A	Student Meeting Hours/ Office Hours: Monday & Wednesday: 3 PM to 4 PM, Tuesday. & Thursday.: 12 PM to 1 PM OR, by appointment
Instructor Name: Dr. Ghulam Shabbir		
<p>A Note from the Instructor:</p> <ul style="list-style-type: none"> ❖ In-person class attendance is mandatory or as directed by the FCCU management ❖ 67% attendance is required to sit in the mid and final exams ❖ Students are required to submit handwritten assignments/homework/exam material within the due date and time. ❖ Late submissions without valid justification/pre-information are not allowed ❖ Copying in exams will result in an F grade. ❖ All students are expected to follow the FCCU core values/Academic Integrity policies ❖ Cell phones should be switched off during exams. ❖ Students are advised to put their cell phones in silent mode during class time. ❖ Students are expected to be present well in time in the class. ❖ The student should access their official email and Moodle accounts regularly. ❖ Students must read the topic from the recommended text/other relevant materials regularly. 		
<p>Instructor Contact Details: Room No. 107, E-Block Email: ghulamshabbir@fccollege.edu.pk Mobile: 03217963913 WhatsApp's: 03217963913 Office Hours: Wednesday & Friday: 3 PM to 4 PM, Tuesday. & Thursday.: 12 PM to 1 PM (or by appointment) Note: Online meetings can be arranged through zoom during the stipulated time. A student will send an email at least one hour before the meeting to have access to a personalized zoom link for online discussion.</p>		
TA Name and Contact Details (not applicable)		
<p>Course Description:</p> <p>The subject matter of international finance consists of issues raised by the special problems of economic interaction between sovereign states. This course will introduce the main concepts and theories of international finance and illustrates them with applications drawn from the real world. The course will address a wide range of issues, including the introduction and foundations of international finance, the balance of payments, exchange rates, exchange rate market and its determination's models, open economy macroeconomics and policy adjustment, the role of monetary and fiscal policies in open economies.</p>		

Prerequisite: Econ: 202

Main Mode of Instruction: In-person class session or as per FCCU policy

Technology Requirements:

- Moodle, email, and WhatsApp will be used for the interaction with students.
- Submission of activities will be done through Moodle or email or by hand depending on student's availability on campus
- Be familiar with Moodle, Zoom, WhatsApp, and email

Technology Etiquettes

• Remote student will ensure their access to their email, Moodle, and WhatsApp accounts

Considerations for Students with Limited Internet/Technology Access (only in case of online): For remote students, week wise recorded lectures will be available through Moodle

[OPTIONAL]: Program Objectives Addressed: Program Learning Objectives of BS (Hons) Economics are:

- A. To demonstrate an understanding of microeconomics, macroeconomics, and econometrics.
- B. To perform quantitative research skills to critically analyze economic issues.
- C. To apply economic theory in a wide range of real-life problems and suggest policy changes.
- D. To effectively communicate economic ideas in oral and written form.
- E. To use their knowledge and abilities for the welfare of the people.
- F. To practice ethical and moral values in their professional and personal lives.
- G. To describe careers that apply economics in public, private, and international institutions.

Course Objectives

This course examines and analyzes three important and related macroeconomics issues in open economies: exchange rates, capital flows, and balance of payments issues. The objectives of the course are two-fold:

- (i) to introduction to the basic international finance concepts and critically analyze the functioning of the main exchange rate models/theories, and relevant empirical work.
- (ii) to apply analytical tools to build an understanding of relevant economic developments and policy issues facing to the international monetary system.

There will be discussions of relevant current events relating to Pakistan and its main trading partners, and the rest of the world.


Student Learning Outcomes (SLOs)

In the end, of course, students should be able to:

1. Understand what the balance of payments is and what it measures
2. Comprehend the meaning of the foreign exchange; spot, forward, cross, and effective exchange rates; foreign exchange risks, hedging, speculation, and interest arbitrage and functioning of the relevant markets
3. Evaluate the working of different theories/models of exchange rate determination like purchasing-power parity theory, monetary and the portfolio balance models
4. Understand the causes of exchange rate overshooting and why exchange rates are so difficult to forecast
5. Critically analyze the impacts of variation in the exchange rate on the nation's current account
6. Illustrate the determination of equilibrium level of income in an open economy and how the absorption approach and other automatic adjustment mechanisms work together in open economies
7. Know how a nation can achieve internal and external balance with fiscal and monetary policies under a fixed and a flexible exchange rate system
8. Comprehend the functioning of aggregate demand and aggregate supply model in the short- and long-run under fixed and flexible exchange rate systems
9. Identify the advantages and disadvantages of different exchange rate systems
10. Understand the functioning of previous and present international monetary systems

Course contents, Learning Material & Activities Schedule

The schedule is tentative because it is not possible to anticipate exactly how much time each topic will require. Pl, check out the online resources and alternate options for instructional tasks linked below. The schedule format will change for Blended classrooms.

Wk/ Lect. No.	Topic/ Title	Course Objective/ <u>Student Learning Outcomes</u> (SLOs)	Instructional Material (OERs) & Relevant Technology (material or links or videos etc)	<u>Teaching-Learning Activities</u>	<u>Assessment & Rubrics</u> (with the due date)
1.1 & 1.2 	Introduction: Course outline & its contents National Income Accounting Balance of Payments, Exchange rate	SLO 1	Course outline & Reading: Textbook (TB) Ch.13 pp:397-400	Lecture/ Discussion	
2.1 & 2.2	Balance of Payments (BOP): BOP accounts, Credit & Debit entries, surplus and deficit in BOP, Pakistan' balance of payment sheet	SLO 1 & 2	Reading: TB Ch.13 pp:401-410	Lecture/ Discussion/class activity	
3.1 & 3.2	Exchange rate and exchange rate market: nominal versus real exchange rates, spot vs. forward exchange rates, foreign exchange rate risks, hedging and speculation	SLO 1, 2 & 3	Reading: TB Ch.14, pp: 423-436	Lecture/ Discussion/ Handouts	Homework # 1

4.1 & 4.2	Covered and uncovered interest arbitrage, introduction to various instruments used in the financial market.	SLO 2 & 3	Reading: TB Ch.14, pp: 438-450	Lecture/ Discussion/ Handouts	Quiz # 1
5.1 & 5.2	Exchange rate determination theories: Purchasing power parity theory and its empirical tests	SLO 3, 4 & 6	Reading: TB Ch.15, pp: 463—470 Reading Research Article	Lecture/ Discussion/ research article	
6.1 & 6.2	Exchange rate determination theories: Monetary approach and its empirical tests, Portfolio Balance Model and its extension, Exchange rate dynamics, Empirical tests	SLO 3 & 4	Reading: TB Ch.15, pp: 471—490 Reading Research Article	Lecture/ Discussion/ Handouts	Assignment # 1
7.1 & 7.2	Open-Economy Macroeconomics (Automatic Adjustment Mechanisms of BOP): Price adjustment mechanism with flexible and fixed exchange rates	SLO 3, 4 & 5	Reading: TB Ch.16, pp: 507--527	Lecture/ Discussion/ Handouts	Quiz # 2
8.1 & 8.2	Income adjustment mechanism: Absorption approach, income determination in a small open economy	SLO 3, 4 & 5	Reading: TB Ch.17, pp: 541--550	Lecture/ Discussion/ class activity	
Midterm exam					

9.1 & 9.2	Open-Economy Macroeconomics (Adjustment Policies to BOP): Expenditure changing and switching Policies, Mundell-Fleming Model	SLO 4, 5 & 6	Reading: TB Ch.18, pp: 573--596	Lecture/ Discussion/ Handouts	Homework # 2
10.1 & 10.2	Open-Economy Macroeconomics: Policy Mix and price changes, and direct control to correct BOP disequilibria.	SLO 5 & 6	Reading: TB Ch.18, pp: 597--602	Lecture/ Discussion/ Handouts	
11.1 & 11.2	Prices and output in an open economy: aggregate demand and aggregate supply	SLO 4 & 5	Reading: TB Ch.19, pp: 617--627	Lecture/ Discussion/ Handouts	Quiz # 3
12.1 & 12.2	Real & Nominal shocks and aggregate demand. Macroeconomic policies to stimulate growth and adjust to supply shocks	SLO 4 & 5	Reading: TB Ch.19, pp: 628--640	Lecture/ Discussion/ class activity	
13.1 & 13.2	Flexible vs fixed exchange rates, European Monetary System and Macroeconomic Policy Coordination	SLO 3, 4, 5 & 6	Reading: TB Ch. 20, pp: 645--670	Lecture/ Discussion/ Handouts	Assignment # 2
14.1 & 14.2	International Monetary System: The gold standard, Britten Wood system	SLO 1 & 2	Reading: TB Ch. 21, pp: 687--700	Lecture/ Discussion/ Handouts	

15.1 & 15.2	International Monetary System: Past, Present and Future	SLO 1 & 2 & 6	Reading: TB Ch. 21, pp: 701--714	Lecture/ Discussion/ Handouts	
16	Presentation/Revision/Final Exam				

Note:

- ✚ Section A has one more lecture each week
- Students will be provided readings materials (book chapters), lecture notes, recorded lectures (in case online), videos, and guidance/support to promote their learnings.
- Students must perform class activities (graded as well as non-graded) and participate in class discussions to enhance the subject learnings.
- The course objective/student learning outcomes will be assessed through class quizzes, a summary of research articles, and a discussion on case studies.

Books: Essential and additional

1. International Economics by Dominick Salvatore (Salvatore, henceforth), 13th Edition, ISBN: 978-1-119-55495-0 (October 2019), published by John Wiley Macmillan Publishing Company, New York (Textbook, **TB***).
2. International Economics by Paul R. Krugman and Maurice Obstfeld, Published by Pearson Education, (Singapore) Pte. Ltd., Indian Branch, 482 F.I.E Delhi, India (additional reading).
3. Research articles will be given to read and summarize to introduce the students to research and empirical work.

Course Requirements & Important things to know:

Assignments:

- Assignments will be handed over to students after the completion of the topic. It will be based upon the topics covered in the classes and will include end chapter questions and instructor-designed questions.
- Students will prepare a handwritten document for each assignment after its notification and will submit its solution within the due date.
- Late submissions without valid justification will not be accepted.
- All students will abide by University Academic Integrity policies for assignments. A violation (cheating during the assessment, plagiarism, falsifying the data) will be reported to the Academic Integrity Committee.

Quizzes & Exams:

- Quizzes will be conducted on the announced date in-person class session. If you are absent when a quiz is arranged, you will not be allowed to make it up. The best two out of three will be considered for a grade.
- Exams (midterm and final) will take place during on-campus classes of students.
- In exams, students should not bring any type of helping material in the examination room.

- Copying in exams will result in an F grade. In the paper of the final exam, the course covered in midterm exams will also be included.
- If you are absent when the exam is given, you will not be allowed to make it up. Online quizzes, midterm, and final exam will be arranged for only those students who have permission from the vice rector's office.

Others:

- Details of Assigned Readings are provided in course content
- Students are required to watch/listen to online or recorded lectures and do relevant readings. Besides, they need to watch online videos as instructed.

Due Dates:

1. All assignments are to be submitted by 11:59 p.m. on the due date.
2. Late activities will not be graded unless previous accommodations have been made. In case of any other limitations (internet), inform before the deadline.

Academic Honesty:

1. All work that you submit in this course must be your own.
2. Unauthorized group efforts are considered academic dishonesty.
3. You may discuss homework (Assignments) in a general way with others, but you may not consult anyone else's written work.
4. You are guilty of academic dishonesty if you examine another student's solution, allow (actively or passively) another student to examine your solution, or you copy from the Internet without a complete understanding of what you have done. For further details see FCCU policy on plagiarism.

Note: All cases no matter how trivial they are, will be reported to the Academic Integrity Committee (AIC) of FCCU. Cheating or violating academic integrity in any exam will cause an F grade.

Grade Determination & Course Assessment as per FCC Policy:

Different modes of assessment such as exams (mid & final), quizzes, HomeWorks, assignments, one-minute quizzes, class activities, and a summary of research articles will be used to assess the students' learning. After the due date and time assigned work will not be accepted except prior informed and permitted. The same policy will be used for exams.

The entire course is worth 100%, the breakup is as follows (for example):

Class Participation	5%
Homework/research paper summaries	10%
Assignments:	15%
Quizzes:	10%
Midterm exam:	30%
Final term exam:	30%
TOTAL	100%

Attendance Policy: At **least 67% is** required to sit in the mid and final exams.

Classroom Participation:

For the assessment of class participation, various class activities will be assigned to the students. Besides, surprise quizzes will be conducted to monitor the physical and mental presence of the class participants.

Student Conduct & Other Issues:

Tardiness: All of us occasionally have problems getting places on time. However, regularly coming to class late is disruptive and shows a lack of respect for the rest of us. On a rare occasion when you must be late, come in as quietly as you can. If you think you will be late regularly, *drop the course* and take it at a different time.

Since attendance is taken at the beginning of class, after 5-minute entry to the class will be recorded as an absence.

Assignments/Homework & Quizzes: I will regularly assign homework/class activities/problem sets and most of these will be graded, they may pop up on a test. I will also take occasional quizzes/one-minute quizzes in the class to check your learning and course progress. Try to submit problem sets/assignments on the due date. Besides, the assignments and homework will be put up on Moodle. The deadline will be mentioned and accepted after the due date in exceptional cases/prior informed.

Grading Legend

For good grades and exceptional, students are advised to attend classes regularly, be on time in the class, take class notes, involve themselves in-class discussion, read assigned book chapters and other material, revise class lectures before the next lecture and try to resolve issues and best to read the topic before a class lecture.

Grading Legend

Below is the grading legend of FCCU (published in all catalogs and available on the FCCU website) as approved by the Academic Council

Grades	Quality Points	Numerical Value	Meaning
A	4.00	93-100	Superior
A-	3.70	90-92	
B+	3.30	87-89	Good
B	3.00	83-86	
B-	2.70	80-82	
C+	2.30	77-79	Satisfactory
C	2.00	73-76	
C-	1.70	70-72	
D+	1.30	67-69	Passing
D	1.00	60-66	
F	0.00	59 or below	Failing
NS	0.00	0.00	Did not show up in class
W	-	-	Officially Withdrawn
AW	-	-	Administrative Withdrawal/Dismissal
AU	-	-	Audit/Listener Status
I	-	-	Incomplete

T	-	-	Transferred credit
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Changes to the Syllabus:

This syllabus was designed to convey course information and requirements as accurately as possible. It is important to note however that it **may** be subject to change during the course depending on the needs of the class and other situational factors. Such changes would be for your benefit, and you will be notified of them as soon as possible.

Student Support Services

- Students can contact the [Campus Counseling Center](#) at 0331-444-1518 or ccc@fccollege.edu.pk.
- [Writing Center](#)
- [Mercy Health Center](#)

Other Useful Links:

- [Sexual Harassment Policy](#)
- [Anti-Corruption Policy](#)
- [Academic integrity](#)
- [Plagiarism Policy](#)
- [Academic Calendar](#)

I expect that you will strictly follow the core values of FCCU and put your entire efforts to learn as per the course requirements, attend classes, read the textbook(s)/other assigned reading material, and do the assignments in the stipulated time