



WILLIAM & MARY

CHARTERED 1693

Syllabus accepted by consensus in sections 1 and 2 on 20 January 2017

ECON 476 – 1 & 2

International Finance and Open Market Economics

January 18 – May 10, 2017

MWF 11-11⁵⁰ pm
301 Washington Hall

MWF 12-12⁵⁰ pm
133 Tyler Hall

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KEY DATES IN THE SEMESTER

January 27 Last day to add/drop a class

March 4-12 Spring Break

March 17 Last day to withdraw from a class

10:00 Class: Monday May 1: 2-5 pm, Scheduled Exam Period

11:00 Class: Tuesday May 9, 9-12pm, Scheduled Exam period

COURSE DESCRIPTION

International Finance and Open Economy Macroeconomics is a theoretical and empirical examination of international financial markets and national income determination in an open economy. Topics include exchange rate systems, the balance of payments and macroeconomic policymaking among interdependent economies. Course delivery is blended (classroom and online). A prerequisite for the course is ECON 304. 3 credit hours

COURSE OUTCOMES

The successful student will demonstrate understanding in the following areas:

1. the basics of finance as applied to global business and economics
2. international financial intermediation
3. valuation across currency systems and time
4. sources of financial risk, categories of risk, and how risk is managed
5. processes of foreign direct investment and multinational budgeting
6. implications of de-integration and the EU (Brexit)

COURSE MATERIALS

Textbook

Madura, Jeff (2016) *International Financial Management*, 12th edition. Cengage Learning. ISBN: 978-1-305-11722-8 **OR**

Madura, Jeff (2018) *International Financial Management*, 13th edition. Cengage Learning. ISBN: 978-1-337-09973-8

Additional Course Materials

Brexit

- The issues of the referendum: BBC News. (2016, April). *EU referendum issues guide: Explore the arguments*. Retrieved from EU Referendum: <http://www.bbc.com/news/uk-politics-eu-referendum-36027205>.
- The Economist. (2016, February). A background guide to "Brexit" from the European Union. Retrieved from The Economist: <http://www.economist.com/node/21673610/print>
- The Economist. (2015, October). *The Reluctant European*. Retrieved from Economist Magazine: <http://www.economist.com/news/special-report/21673505-though-britain-has-always-been-rather-half-hearted-about-european-union-its>
- BBC News (2017, January). Brexit Britain: What has actually happened so far? Retrieved from <http://www.bbc.com/news/business-36956418>

- Will watch in class: Betts, A. (2016, August 12). *Why Brexit happened -- and what to do next*. (A. Betts, Performer) TED Talks. Retrieved from <https://www.youtube.com/watch?v=dcwuBo4PvE0>

George Soros Currency Trading:

- Beattie, A. (n.d.). The Greatest Currency Trades Ever Made. Retrieved from Investopedia: <http://www.investopedia.com/articles/forex/08/greatest-currency-trades.asp>
- Schaefer, S. (2015, July 7). Forbes Flashback: How George Soros Broke The British Pound. Forbes. Retrieved from <http://www.forbes.com/sites/steveschaefer/2015/07/07/forbes-flashback-george-soros-british-pound-euro-ecb/#21d439d93cef>

The Big Mac Index:

- D.H., R. &. (2016, July 21). The Big Mac Index. Retrieved from The Economist: <http://www.economist.com/content/big-mac-index>
- The Economist. (2016, July 23). Patty Purchasing Parity. Retrieved from The Economist: <http://www.economist.com/news/finance-and-economics/21702482-size-world-economy-measured-burgers-patty-purchasing-parity>

Capital Budgeting and Taxes:

- Marans, D. (2016, April 5). Obama Just Struck A Blow Against Corporate Tax Dodging. Retrieved from Huffington Post: http://www.huffingtonpost.com/entry/obama-tax-inversion_us_57044e42e4b05376618815a7

Dollarization:

- Transferwise. (2016, July 12). Dollarization: why so many countries use the US dollar. Retrieved from <https://transferwise.com/us/blog/dollarization-why-so-many-countries-use-the-us-dollar>

Online Reference Sites:

Investopedia www.investopedia.com

Amos Web http://www.amosweb.com/cgi-bin/awb_nav.pl?s=awb

COURSE POLICIES

Honor Code

A student violates the Honor Code if he or she engages in lying, stealing, cheating or plagiarism, receives unauthorized assistance, uses unauthorized materials, submits previous work, violates time constraints, or fails to follow directions with the aim of receiving an unfair advantage, as described in Section VI of the Student Handbook. This professor acts upon all such violations of the Honor Code. Sanctions, described in Section X of the Honor Code, include formal hearings, grade penalties, and/or failure in a course.

ADA Student Services

Students with documented physical, learning, or mental disabilities who desire accommodation should contact the ADA coordinator, Kiersten L. Boyce, Chief Compliance Officer, Title IX and ADA/504 Coordinator, 108 James Blair Hall, 757-221-3146, klboyc@wm.edu. The Family Educational Rights and Privacy Act (FERPA) protects student privacy, including informing faculty.

Policy on Discrimination and Harassment

Students who have been treated differently on the basis of a personal factor unrelated to qualifications or performance, such as, for example, race, religion, or age, should contact the Chief Compliance Officer, Kiersten L. Boyce, Chief Compliance Officer, Title IX and ADA/504 Coordinator, 108 James Blair Hall, 757-221-3146, klboyc@wm.edu.

Communication Etiquette

In all communication, the expectation is that exchanges are respectful of all viewpoints. This affirms the Ethics Policy of the College, which requires that we comply with ethical norms and are honest, fair, and trustworthy.

Deadlines for Assignments

Unless otherwise indicated, all assignments are due by the due date included in the assignment. In the case of a family or health emergency, students must contact the professor with 48 hours.

Attendance and Participation Policy

This course requires social engagement while learning, which requires active participation in class and on Blackboard.

Extra Credit Policy

Any extra credit assignments are available to all in the class; no extra points to a single individual are available. This affirms the Honor Code such that no student receives an unfair advantage.

ASSESSMENTS IN THE COURSE

Timing

Students are tasked with checking on Blackboard and/or the Syllabus to know when work is due and to submit work before the deadlines.

Grading Scale

The standard 60-70-80-90-100 percentile scale is followed to assign grades. Cutoffs within each 10% are at the 3% and 7% marks. (For example, an 87% is a B+.)

Assessments for course grade (*anticipated*):

Weekly Hw Sets	50 pts
Risk Analysis Hw	30 pts
Extra Credit Project	20 pts
Midterm	100 pts
Final / Research Paper	100 pts
Class Participation	20 pts
Total Points	300

Homework Problems

Homework sets are generally due Sunday night on Blackboard. Questions, or parts of questions, from each assignment will be selected in grading as a representative sample of work completed.

Extra Credit Project

This project is to (iii) research and report on direct-loan microfinance and the umbrella organization, KIVA.org; (ii) plan an informational and fundraising activity to finance a loan through KIVA; (iii) to select the recipient/s of this loan and make this loan through www.kiva.org; (iv) to present a summary of these activities to the class and to post these on Blackboard. Individual or group project (up to 4).

Risk Analysis

This work employs what has been learned about analyzing risk. Each student picks one country and studies its social, political, and economic conditions that may affect market outcomes. Take the perspective of one who is investing in this country and analyze 3 or more risk factors specific to this country. Explain the relationships and present data demonstrating these. Then discuss how an investor can control his/her/the company's risk exposure. Part 1: Country overview and risk factors; Part 2: Data Analysis; Part 3: Risk Control.

Exams

A Midterm and Final Exam are planned. Questions will be multiple choice and essay.

Those who prefer to research and write a paper, may substitute this for the final exam. Topics must be pre-approved by the professor. An Outline with Bibliography must be submitted by the end of March to complete this option. Students who do not complete these are not eligible to substitute the paper for the final exam. See the Rubric for a research paper.

Risk Analysis Project Rubric

Criteria	F	D	C	B	A
Country Overview	Failed to report or very weak. (0-59%)	Report is overly general without description of unique attributes or discussion is very poorly presented (60-69%)	May require more development, more facts or discussion, or writing may have multiple weaknesses (70-79%)	Discussion is good with multiple minor deficiencies (80-89%)	General overview with good use of facts, with only minor writing deficiencies (90-99%)
Risk Assessment	Failed to report or very weak. (0-59%)	Risk factors are not specific to this country, but are universally present or data use was poor. (60-69%)	May require more specificity or facts, or writing may have multiple weaknesses (70-79%)	Good presentation of risk and supportive data/facts with only minor deficiencies (80-89%)	Specific and relevant risk factors are described well and supportive data are used and cited well. (90-99%)
Risk Control	Failed to report or very weak. (0-59%)	Discussion does not seem to pertain to an investor who is mitigating risk in an economy. (60-69%)	Possible misalignment between risk factors and risk mitigation and/or explanation has multiple deficiencies. (70-79%)	Risk factors and mitigation strategies are well aligned and are relevant to an investor in an economy. Good presentation with only minor issues. (80-89%)	Specific and relevant risk strategies are described that appropriately meet issues. (90-99%)

Extra Credit Project Rubric

Criteria	F	D	C	B	A
Each of the assigned tasks is completed well (see tasks listed in assignment) 40% of grade	Missed assignment, very sloppy work, or half or more criteria were missed (0-59%)	Work is missing in multiple, important criteria and needs revision (60-69%)	Work meets most criteria well, but requires substantial improvement (70-79%)	Good work with a number of omissions or 1 major problem (80-89%)	Excellent work with very minor omissions (90-99%)
Assignment is submitted on time on Blackboard 10% of grade	Late 4+ days	Late 3 days	Late 2 days	Late 1 day	On time
Presentation of Written and Oral Concepts. 40% of grade	Organization, presentation of facts, figure formatting, and citation method all have deficiencies.	Lacking good organization with deficiencies in presentation of facts, figure formatting, or citation methods.	Organization impairs readability or statements are confusing or unsupported, facts are not cited well, figures lack title, source, or are unreadable, or citations are insufficient.	Organization has minor deficiencies; statements are presented well and supported with well-cited facts. Figures are clear, referenced in the text, titled and source is listed.	Good organization; statements are presented well and supported with facts. Facts are cited completely. Figures are clear, referenced in the text, titled and source is listed.
Group identification and Spelling and grammar. 10% of grade	Title of work and team members' names are missing. Did not even run a spell-check on the document.	Title of work and team members' names may be missing. Multiple grammatical or spelling errors that severely decrease readability.	Title of work and team members' names are included at top of document. Occasional errors that impact readability.	Title of work and team members' names are included at top of document. Minor word-choice errors or occasional error that does not impact readability.	No errors. Title of work and team members' names are included at top of document.

An example of grading for the first team project would be:

Team "Wombats" received the following scores as per the above rubric.

$$(40\%)(83\%) + (10\%)(100\%) + (40\%)(88\%) + (10\%)(100\%) = 88\% \text{ or } (.88)(20) = 17.6 \text{ points}$$

An example of an individual's grade is:

Grunhulda worked very hard on this project in a team of 3 people. Her contribution scores were 33%, 40%, and 35% (as opposed to an average of 33% if all 3 people contributed equally). The weight for Grunhulda was $\frac{33+40+35}{33+33+33} = \frac{108}{99} = 1.09$. The project earned 88%. Grunhulda's individual grade for the team projects was $(.88)(1.09)=96\%$.

WORKING SCHEDULE to be modified as needed

Chapter	Assignment
Reading outside of book: Brexit	Online Reading with Discussion Questions 1. What arguments were given for the UK to leave/stay in the EU? 2. What points were made by the former British PM to the EU leadership? 3. What are the options now available for UK participation in EU economic activities (not including being an EU member)
1:Multinational Financial Management	Self Test (ST) 2 Questions and Applications (QA) 10, 13 Add: Why do some firms engage in direct foreign investment? Add: When should a firm expand its market to foreign markets?
2:International Flow of Funds	ST 1 QA 1, 2, 13 Add: Go to data.imf.org or BIS.gov and extract data to compare foreign direct investment with portfolio flows for the USA for one decade. Describe.
3:International Financial Markets	Internet/Excel Exercises (IEE) 1a-j Add: Research and report the world's largest banks according to capital assets.
4:Exchange Rate Determination	Point Counter-Point (PCP) Analysis QA 1, 6, 18 Add: How does the Big Mac Index predict a country's exchange rate? See DH (2016) and The Economist (2016).
5:Currency Derivatives	ST 1 QA 1, 2, 24 Add: Create your own definition for a currency derivative.
6: Gov't Influence on Exchange Rates	QA 30 & 32 Add: Find historical data for the USD to GBP (£) before and after August 15, 1971. What effect did going off of gold have on the USD's exchange with GBP in the 1970's?? Add: What is "dollarization" and what are reasons for it to occur? See Transferwise.
7: Int'l Arbitrage	PCP QA 2, 4, 7, 30 Add: Refer to the Beattie and Schaefer sources. Explain the mechanics of George Soros' Forex investments that allowed his company to clear \$1.5 billion in 1992.
8: Rel'ps btn Inflation, Interest	QA 1, 3, 25, 45

9: Forecasting Exchange Rates	Add: Use the current USD/EUR exchange rate to conduct market-based forecasting using the spot and forward rate. (Specify if you are using the 30 or 90 day Forward.) Add: Find the 5 year compounded Central Bank interest rates for the US and UK. Use these to find the 5-year Forward premium or discount.
Microfinance (not in book)	Extra Credit Projects are due.
13: Direct Foreign Investment	ST 1,2 QA 15, 16 Add: Find data (IMF or World Bank) to plot net Foreign Direct Investment into the USA for the last 10 or 20 years.
14: Multinational Capital Budgeting	<i>Your goal is to be able to read and follow this financial statement; students are not required to create financial statements.</i> QA 1, 3, 5 Add: Explain how US MNCs could reduce tax payments in their budgets through FDI. How is this changing with new rules? (See Marans, 2016)
Chapter 16: Country Risk Analysis	<i>Note: this is risk of working with/within a country, <u>not</u> risk faced by a country.</i> Risk Project is due.

SYLLABUS APPENDIX

College-level writing and pronouns

Writing in the third person (he, she, it, they)

Many course syllabi stipulate that first-person pronouns not be used in writing for assignments.

When Shouldn't You Write in the First Person?

Summarizing facts or arguments by others:

Most of the time you are asked to describe facts or authors' discussions from an assigned reading. This kind of task is not an op ed opinion piece, but a discussion that illustrates what are the key points of the assigned reading. In this case, writing is in the third person, "he," "she," "it," or "they."

Showing knowledge vs. filling up space:

When you describe "who, what, where, when, and why" you are demonstrating knowledge of pertinent information. When you fall back upon your personal opinion, it reads as if you do not have a firm grasp of the pertinent facts.

When Should You Write in the First Person?

Demonstrating bona fides:

You are writing on a topic (in the third person) and you wish to demonstrate that you are a credible and authentic source from your personal experience. For example, you are writing a piece on how the executive committee for the Olympics is selected and you wish to indicate your knowledge with, "In 2010, I competed in the winter Olympics snowboarding competition."

Comparison and contrasting kinds of statements:

If you are comparing and contrasting the arguments of others, you may assert your views in this discussion. For example, "Jones believes that . . . whereas Smith holds the view that . . . I agree with Smith, because . . ." Even this use of the first person should be used conservatively. You can show your support for Smith without being quite this explicit.

College level writing and effective communication

The goal of a student's written work to an instructor is to communicate knowledge.

Work that contains run-on sentences; lack of good paragraphing; and generalities does not communicate this understanding.

Work that contains concise statements; that breaks paragraphs with each new idea; and which contains specific facts, dates, percentages, quantities, etc. (all cited) communicates understanding effectively.

Structure helps to convey knowledge

Begin with an introductory statement that explains the who, what, when, where, why, methodology, goals and aims of work, etc. (use what is relevant).

Body that is organized tightly and which includes supporting statements and cited facts to support the aims of the work communicates good knowledge by the student.

End with a summary that revisits the content in the introduction and summarize key facts. This shows that the student correctly identified the key pieces of information.

Citing sources

Citation of sources fulfills several objectives:

Good, academic writing style

Records your sources, should you need to use them at a future date

Shares your sources, should someone else want to look up the original material

Protects the student against violating the Academic Integrity Code of Conduct

What to cite?

All information that is not common knowledge

All specific, "data" information (\$, %, #, years)

Quotations

Paraphrased content

Library resources

Writing Center

First floor of Swem Library; **FREE** service provided to W&M students.

Trained consultants assist with writing, presentation, and other communication assignments at any stage, from generating ideas to polishing a final product, and across disciplines. For an appointment, visit the WRC webpage www.wm.edu/wrc.

Building

Housing books, media, and journals

Staffed by reference and circulation library staff to assist students

Study rooms

Computers

Online

Online databases and journals can help direct students to academic sites with better information than random Google searches. For example, ABI/INFORM or Lexis/Nexus.

Ebooks (the ebrary) offer sources electronically

Interlibrary Loan

Materials that are published and not in our system can be requested for free using an Interlibrary Loan request.