



**WILLIAM & MARY**

CHARTERED 1693

ECON 476-01 - 11261  
**International Finance and Open Economy Macroeconomics**

August 24-December 2, 2016

MWF 1-1<sup>50</sup> pm  
Washington Hall 301

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## 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 MATERIALS

### Course Website:

[https://blackboard.wm.edu/webapps/blackboard/execute/modulepage/view?course\\_id=4351\\_1&cmp\\_tab\\_id=7910\\_1&editMode=true&mode=cpview](https://blackboard.wm.edu/webapps/blackboard/execute/modulepage/view?course_id=4351_1&cmp_tab_id=7910_1&editMode=true&mode=cpview)

### Textbook

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

### Online Reading and Data Sources

Beattie, A. (n.d.). *The Greatest Currency Trades Ever Made*. Retrieved from Investopedia: <http://www.investopedia.com/articles/forex/08/greatest-currency-trades.asp>

D.H., R. &. (2016, July 21). *The Big Mac Index*. Retrieved from The Economist: <http://www.economist.com/content/big-mac-index>

Federal Reserve Bank of St. Louis. (n.d.). *Federal Reserve Economic Data (FRED)*. Retrieved from <https://fred.stlouisfed.org/>

Hufbauer, G. &. (2015, November 10). *Does Foreign Trade and Investment Reduce Average US Wages and Increase Inequality?* Retrieved from Peterson Institute for International Economics: <https://piie.com/blogs/trade-investment-policy-watch/does-foreign-trade-and-investment-reduce-average-us-wages-and-0>

IMF. (n.d.). Retrieved from IMF Macroeconomic and Financial Data: <http://data.imf.org/?sk=388DFA60-1D26-4ADE-B505-A05A558D9A42>

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](http://www.huffingtonpost.com/entry/obama-tax-inversion_us_57044e42e4b05376618815a7)

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 Economist. (2016, July 23). *Patty Purchasing Parity*. Retrieved from The Economist: <http://www.economist.com/news/finance-and-economics/21702482-size-world-economymeasured-burgers-patty-purchasing-parity>

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>

## **Brexit Discussion Reading (more to be added closer to the end of the semester)**

The Independent. (n.d.). *Brexit*. Retrieved from The Independent:  
<http://www.independent.co.uk/topic/brexit>

Center for European Reform. (2014, June). *The economic consequences consequences of leaving the EU*. cer.org. Retrieved from  
[https://www.cer.org.uk/sites/default/files/smc\\_final\\_report\\_june2014.pdf](https://www.cer.org.uk/sites/default/files/smc_final_report_june2014.pdf)

Center for European Reform. (n.d.). *Britain and the EU*. Retrieved from  
<https://www.cer.org.uk/hot-topics/britain-eu>

## **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 POLICIES**

### **Honor Code Policy**

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 include formal hearings, grade penalties, and/or failure in a course. See:

[http://www.wm.edu/offices/deanofstudents/services/studentconduct/studenthandbook/honor\\_system/index.php](http://www.wm.edu/offices/deanofstudents/services/studentconduct/studenthandbook/honor_system/index.php)

### **ADA Student Services**

Students with documented physical, learning, or mental disabilities who desire accommodation should contact the Director of Student Accessibility Services in Room 109 of the Campus Center, (757) 221-2509. The Family Educational Rights and Privacy Act (FERPA) protects student privacy, including informing faculty. See:

<http://www.wm.edu/offices/deanofstudents/services/studentaccessibilityservices/faqs/disabilitiesatwm/index.php>

### **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 and Title IX and ADA/504 Coordinator, in 108 James Blair Hall, 757-221-3146. See: [http://www.wm.edu/offices/compliance/concerns\\_violations/index.php](http://www.wm.edu/offices/compliance/concerns_violations/index.php)

## Communication Etiquette

“Agree to Disagree:” The student of Economics is fundamentally philosophical, hence our opinions vary. In all communication, the expectation is that exchanges remain respectful of all viewpoints. Keep in mind that we may learn as much from those who disagree with us, as we do from those whose opinions echo our own. Respectful discussion builds trust which affirms the Ethics Policy of the College.

FERPA: Email communication about grades and confidential matters must go through the W&M email system to ensure privacy.

## Deadlines for Assignments

Assignments must be submitted on the date set in the Syllabus and as posted on Blackboard. Extensions are possible in the case of a family or health emergency. Students must contact the professor or Dean of Undergraduate Studies (who will notify professors) with 48 hours of an incident.

## Attendance and Participation Policy

Learning is social as well as psychological. (We share experiences with others and learn from each other.) This course requires social engagement while learning, which requires active participation in class and on Blackboard. Excessive absences from class are reported to the Dean of Students Office.

## Extra Credit Policy

Any extra credit will be made available to everyone in the class. No individual extra credit assignments are possible. This affirms the Honor Code such that no student receives an unfair advantage.

## ASSESSMENTS IN THE COURSE

### Grading Scale

A = 93-100%	B- = 80-82%	D+= 67-69%
A- = 90-92%	C+=77-79%	D = 63-66%
B+= 87-89%	C = 73-76%	D- = 60-62%
B = 83-86%	C- = 70-72%	F = Less than 60%

### Assessments for course grade

Weekly Hw Sets	11 @ 5 points	55 pts	(19.6%)
Risk Analysis Hw	1 @ 25 points	25 points	( 9.0%)
Extra Credit Questions	5 @ 5 pt each	25 pts	(+ 9.0%)
Midterm	1 @ 100 points	100 pts	( 35.7%)
Final / Research Paper	1 @ 100 points	100 pts	( 35.7%)

Total Points            280

## Homework Problems

Problems within the homework assignments will be selected at random for grading. All mandatory and extra credit assignments are due at 11:59 pm on Saturday, unless otherwise indicated.

## Midterm

Questions will be multiple choice and short essay. Questions will be based upon the Midterm Self-Test included in the textbook, plus any outside materials added to the textbook's material.

## Final Exam

Questions will be multiple choice and short essay. Questions will be based upon the Final Self-Test included in the textbook, plus any outside materials added to the textbook's material. Only chapters covered in lecture will be included.

Those who prefer to research and write a paper, may substitute this for the final exam. Topics must be pre-approved by the professor and an outline with Bibliography must be submitted by Week 12 to complete this option. Present these during Office Hours.

## COURSE SCHEDULE-

Week	Focus of the Week	Homework Problems	Additional Assignment
Before course	Read syllabus	Understand tasks included in the syllabus	Purchase book
1-2	No class on Monday  Chapter 1: International Financial Management	Self Test (ST) 2-3 Questions and Applications (QA) 5, 6, 8, 19, 21, 23 Add: Reasons for direct foreign trade and investment	Read article by Hufbauer and Moran (See list of secondary materials.)
3	Chapter 2: International Flow of Funds  Add/drop deadline on 9/2/16	ST 1 QA 1, 2, 13, 15  If time?: Discuss Case: Blades Inc., pp. 59-60.	Understand the categories for international financial accounts (BoP, current, etc.). <b>Extra Credit:</b> Extract IMF data and compare recent years' total FDI with portfolio flows for 3 countries, including USA
4	Chapter 3: International Financial Markets	QA 6, 8, 10, 13, 17 Internet/Excel Exercises (IEE) 1a-j	
5	Chapter 4: Exchange Rate Determination	Point Counter-Point (PCP) p 127 Analysis QA 1, 6, 18	

		If time?: IEE p.133	
6	Chapter 5: Currency Derivatives	PCP 158 ST 1,2 QA 1, 2, 8, 24 If time?: Blades Case: pp165-166	
7	Chapter 6: Gov't Influence on Exchange Rates	QA 30, 32, & 33  Homework is due over Fall Break weekend. Extra time will be allotted.	<b>Extra Credit: Gold Standard and USD FX:</b> Find historical data for the USD to GBP (£) before and after August 15, 1971. ? : What effect, if any, did going off of gold have on the USD's exchange with GBP?
8	Chapter 7: International Arbitrage  No class Monday (Break)	PCP p 245-246 ST 1, 2 QA 2, 4, 7, 14, 30	<b>Extra Credit:</b> Refer to the Beattie and Schaefer sources (listed under Supp'l Materials). What Forex mechanisms allowed Soros to clear \$1.5 billion in 1992? Explain.
9	Chapter 8: Rel'ps btn Inflation, Interest Rates... Withdrawal deadline 10/21/16	QA 1, 3, 25, 45	<b>Extra Credit:</b> Read DH (2016) and The Economist (2016) – Supplemental Materials list – explain how the Big Mac Index measures exchange rate and PPP.
10-11	Midterm (based upon Midterm Self-Exam pp 285-292) Chapter 9: Forecasting Exchange Rates	After midterm: PCP, p 314 ST 1 QA 1-6, 10, 19, 30	
12	Chapter 13: Direct Foreign Investment	ST 1,2 QA 15, 16	
13	Chapter 14: Multinational Capital Budgeting	ST 1 QA 1, 3, 5, 7, 17, 30	<b>Extra Credit:</b> How have US MNCs been able to reduce tax payments in their budgets through FDI? How is this changed by the new rules? (See Marans, 2016, in Supplemental Materials)
14-15	Chapter 16: Country Risk Analysis  Week 14: No class on	Homework is due over Thanksgiving weekend. Submit what has been completed by Saturday, but revised copies may be submitted until 11:59 pm the following Tuesday.	<b>Risk Analysis:</b> Choose 1 country with some element of risk. PART1: Select 3 alternative ways of measuring risk, collect data on this country and analyze its risk using these 3 approaches. PART 2:

	Wednesday or Friday		Describe the kinds of financial risks included in an investment in this country. PART 3: Using methods learned in this course, discuss how financial risk could possibly be mitigated.
<b>16</b>	Brexit	Read articles. Class discussion. (on Final)	
<b>Exam Week</b>	Final Exam (80% based upon Final Self-Exam for chapters 9, 13, 14, 16 and Brexit and 20% from Midterm.)	<b>Tuesday December 6: 2pm</b> (This test should take 75-120 minutes)	Grades posted on Blackboard

## SYLLABUS APPENDIX

### Blackboard Difficulties

Cannot log on to university network or to Blackboard

- Contact IT's Technology Support Center (TSC)  
Phone: 757-221-4357 (HELP)  
Email: support@wm.edu  
Jones 208, Monday - Friday 8am-5pm (except holidays)
- Contact W&M Police for after-hours system-wide emergency: 757-221-4596.

Can log on to Blackboard, but a link is not visible or not working

Contact the professor: [sharoneicher@hotmail.com](mailto:sharoneicher@hotmail.com) or use a Blackboard link.

*Plan ahead and do not wait until the last minute to access course links and to upload work.*

### College-level writing

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.



## 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*

## Campus writing resources

See Writing Resource Center page: <http://www.wm.edu/as/wrc/>

## Library resources

### 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.

## Crisis

Lesson 1 in "mature problem-solving:" help those who need your support and ask for help when you require it. The concept of community is founded upon mutual assistance.

## Strategic problem-solving

Address the problem early (before it reaches the level of “crisis.”)

Recognize that your parents, pastors, and educators may have had similar experiences.

Recognize that most people are willing to listen and to help.

Look for people and resources to help solve the problem.

faculty advisor

course professor

Counseling Center See: <http://www.wm.edu/offices/wellness/counselingcenter/>

Dean of Student Services See:

<http://www.wm.edu/offices/deanofstudents/services/index.php>

RA and Student Life

campus minister

Mop up afterwards

Find those who can help and ask for their support and assistance

Fix the problem, rather than affix blame

Forgive yourself for not being perfect