

Economics 4382: International Finance

Spring 2025

Instructor: Camilo Granados

Class Time and Location: Monday and Wednesday 11:30AM-12:45PM

Course Office Hours: Monday 4:00PM-6:00PM or by appointment

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Course Description

This course explores the functioning of the international financial system. We study foreign exchange rates and markets, balance of payments accounts, and the international exchange of financial assets, as well as the relationship between these variables and the trade of goods and services between countries.

As we will see, these topics are not independent of governments and policy decision-making. Thus, we also cover the determination of exchange rate regimes, international financial regulations, and even international monetary theory. Finally, some emphasis is placed on the financial and trade interlinks between economies integrated into the global financial market and how these will imply that the economic outcomes between countries are interrelated, too.

Learning Outcomes

By the end of the course, students will understand how the foreign exchange markets (or forex markets) work, the intuition behind the interest parity theories, and how they relate the state of the economy to exchange rates. Students will also identify the relationship between imbalances in the trade of goods and the trade of financial assets (or liabilities) with international investment flows and a country's wealth.

The students will also gain exposure to sources of cross-country economic data and use the reviewed theoretical and empirical concepts to assess the economic policy surrounding major international economic regimes (e.g., the Euro, Exchange Rate Regimes), and crisis episodes.

Prerequisites

The course will cover a sequence of economic models and financial concepts that use mathematical concepts and tools. This will require familiarity with algebra and basic calculus. Techniques such as solving systems of equations, taking logarithms, differentiation, and using the chain rule must be familiar to you. If you have forgotten these topics, you should review them as soon as possible. The only other prerequisite is a course on Intermediate Macroeconomics.

Workload expectations

You can expect to work hard in this course. This course is meant for students who are highly interested in understanding the functioning of international financial markets and who are willing to do a considerable amount of reading. If, on the contrary, you are looking for a course at the last minute to fill your schedule, this may not be the right choice. Having said this, you should also know I am more than happy to reward your effort as much as possible and that I am willing to work just as hard as I expect you to.

You should expect to read the textbook regularly and any additional reading materials that I may provide on an occasional basis, work on several homework assignments, and prepare for three exams.

A final optional module (if time allows and the students opt for it) will consist of a group presentation of recent academic papers on topics of international finance.

Group Work

Working in groups is encouraged. Study groups are encouraged for assignments and for exams preparation. However, you must submit your own individual write-up for all assignments. On the other hand, all exams/quizzes will be based on individual evaluations; no collaborations are allowed.

Course Textbook

- (Required) Feenstra and Taylor, *International Economics*, 4ed. (3ed. Also works) – From here on, we will refer to this as “the textbook” or FT.
- Additional supplementary material posted on the website occasionally

Assessments

- 5 Problem Sets (20%) – due at the beginning of the lecture

There are five homework assignments to help you review and apply the material learned in lectures. The submission dates are posted on the website (and adjusted if necessary and with enough anticipation). The submissions will be done via e-Learning.

- In-Class Group Paper Presentation (Bonus)

There will be **an optional final group presentation, which will take place during the last weeks of class**. This activity generates a grade bonus. The bonus consists of taking 10% out of the exams portion and replacing it with the presentation grade (which should be close to or full credit). 5% will come from the final and 5% from the other midterms (the one with the lowest grade).

- Quizzes and Exams (80%)

There are **three exams** during the quarter: two midterms (25% each) and a final exam (30%). The final exam is cumulative. The dates for these exams are the following:

Midterm 1: 2/26

Midterm 2: 4/16

Final Exam: 5/7

Notice these still can be subject to updates as necessary (in which case the website will reflect any changes).

If you cannot make an exam date, the following policy applies: Major exceptions are only allowed in case of medical emergencies that concern either you or your family. In this case, please provide a certification by a doctor on the exam. If you miss a midterm (could not take it), there are no make-up tests. If your absence is justified, then the grade will be distributed to the rest of the exams. In contrast, if you miss the final exam, you may need to take a make-up exam next term or later during office hours. This exam could be significantly harder than the exam at the end of this term, reflecting the fact that you have more time for preparation.

- Extra Credit

The main bonus consists of the presentation. With that, the weights of the two midterms and one final exam go from 25%, 25%, and 30%, respectively, to 20%, 25%, and 25%. Finally, if the response rate of the course review is equal to or higher than 80%, you will get an additional 2% bonus on your final grade.

-Grading:

Yiqun Yu (Yiqun.Yu@utdallas.edu) is the grader for this course. I fully trust his competence in this task. Thus, if you have any questions, you can email him directly; however, CC me on the communications. To facilitate the grading work, two to three questions from each assignment are chosen randomly and assessed, and the entire submission is graded based on these. We will state which questions were chosen each time and provide solutions.

-Email Questions and Office Hours:

It is highly encouraged that you use office hours if you have questions about the material. You can also ask questions via email. However, if the answer is expected to take more than a paragraph, I encourage you to come to my office during Office Hours or talk to me after each lecture.

Similarly, if the question is about logistics and its answer is included in the Syllabus, I will just refer you to it.

Academic Conduct Policy

The School of Economic, Political, and Policy Sciences – EPPS supports University policies regarding academic honesty and classroom behavior. Students of the course are expected to adhere to the University of Texas at Dallas' Policy on Academic Honesty, which can be found at <https://conduct.utdallas.edu/dishonesty/>

Class Recordings

Students are expected to follow appropriate University policies and maintain the security of passwords used to access recorded lectures. Unless the Office of Student Accessibility has approved the student to record the instruction, students are expressly prohibited from recording any part of this course. Recordings may not be published, reproduced, or shared with those not in the class, or uploaded to other online environments except to implement an approved Office of Student Accessibility accommodation. Failure to comply with these University requirements is a violation of the [Student Code of Conduct](#).

Withdrawal from Class

The administration at UT Dallas has established deadlines for withdrawal from any course. These dates and times are published in the Comet Calendar (<http://www.utdallas.edu/calendar>) and in the Academic Calendar (<http://www.utdallas.edu/academiccalendar>). It is the student's responsibility to handle withdrawal requirements from any class. In other words, a professor or another instructor cannot drop or withdraw any student unless there is an administrative drop such as the following:

- Not meeting the prerequisites for a specific course
- Not satisfying the academic probationary requirements, resulting in suspension
- An Office of Community Standards and Conduct request
- Not making appropriate tuition and fee payments
- Enrollment is in violation of academic policy
- Not admitted for the term in which they registered

It is the student's responsibility to complete and submit the appropriate forms to the Registrar's Office and ensure that he or she will not receive a final grade of "F" in a course if he or she chooses not to attend the class after being enrolled.

Incomplete Grade Policy

As per university policy, incomplete grades may be given at the discretion of the instructor of record for a course, when a student has completed at least 70% of the required course material but cannot complete all requirements by the end of the semester. An incomplete course grade (grade of 'I') must be completed within

the time period specified by the instructor, not to exceed eight (8) weeks from the first day of the subsequent long semester. Upon completion of the required work, the grade of 'I' may be converted into a letter grade (A through F). If the grade of Incomplete is not removed by the end of the specified period, it will automatically be changed to a grade of F. The incomplete grade policy is included in the online UT Dallas Undergraduate Catalog, <https://catalog.utdallas.edu/now/undergraduate/policies/academic#incomplete-grades> and the Graduate Catalog, <https://catalog.utdallas.edu/now/graduate/policies/grades#grade-of-i-incomplete>.

Accommodations for Students with Disabilities

The University of Texas at Dallas is committed to providing reasonable accommodations for all persons with disabilities. The syllabus is available in alternate formats upon request. If you are seeking classroom accommodations under the Americans with Disabilities Act (2008), you are required to register with the Office of Student AccessAbility (OSA), located in the Administration Building, Suite 2.224. Their phone number is 972-883-2098, email: studentaccess@utdallas.edu and the website is <https://studentaccess.utdallas.edu>. To receive academic accommodations for this class, please obtain the proper Office of Student AccessAbility letter of accommodation and meet with the Director of OSA at the beginning of the semester.

Course Topics

I. EXCHANGE RATES (FT CHAPTERS 12-15)

- Introduction
- Exchange Rate Fundamentals and the Forex market
- Covered and Uncovered Interest Rate Parities
- Purchasing Power Parity
- Impossible Trinity of International Economics or Mundellian Trilemma

II. BALANCE OF PAYMENTS (FT CHAPTERS 16-18)

- Open-Economy national income accounting
- Current account, unbalanced trade, and national wealth
- International Assets: Borrowing and Lending
- Intertemporal consumption smoothing

III. APPLICATIONS OF THE THEORIES AND ECONOMIC POLICY (FT CHAPTERS 19-21)

- Exchange Rate Regimes
- History of the Exchange Rates
- International Crises

IV. RECENT RESEARCH ON INTERNATIONAL FINANCE (OPTIONAL PRESENTATIONS)

- The Global Financial Crisis and its impact on global markets
- The COVID crisis
- Other selected topics