COURSE OBJECTIVES
This course is intended to provide a familiarization with international financial markets and the basic forces that affect financial decision-making in the multinational firm. We will study international financial problems in the global environment in which firms operate. We develop models that help us evaluate policies that affect the determination of output, price levels, and exchange rates.

TEXT

Additional articles may be posted on the web or handed out in class.

COURSE OUTLINE

I. Background

1. The Foreign Exchange Market, Ch. 1
2. Past and present International Monetary Arrangement, Ch. 3
3. The choice of an Exchange Rate System, Ch. 3
4. The Balance of Payments, Ch. 2

II. Capital Flows

5. Forward-looking Instruments, Ch. 4
6. International Investment and Capital Flows, Ch. 7
7. Offshore Banking, Ch. 13
8. The Financial Crisis of 2007, Readings TBA

Mid-term (tentatively July 23)

III. Parity Conditions

9. Prices and Exchange Rates: PPP, Ch. 8
10. Interest Rates and Exchange Rates: IRP, Ch. 5

IV. Modeling the Exchange Rate and Balance of Payments

11. Elasticity and Absorption models, Ch. 9
12. Short run Macroeconomic policy in the Open Economy: IS-LM-BP, Ch. 14
12. Long run Macroeconomic policy: the Monetary Approach, Ch. 10
13. Extensions and challenges to the Monetary Approach, Ch. 11

Final Exam (August 13)

GRADING
No extra-credit, or other additional points will be given. If the student has a medical or other emergency, at the time of a scheduled exam, it is the student's responsibility to inform me. Please email me or call the Economics department at University of Hawaii, and explain the nature of the emergency. If the excuse is valid, the second exam will be re-weighted to reflect the weight on the missing test.
The point breakdown is as follows:

Quiz 60 pts.
Mid-term 60 pts.
Comprehensive Final Exam 80 pts.

200 pts.

Grading will be according to University norms, and plus and minus grades will be assigned.
Final Grades will be assigned according to the following total point values for the course work:

A+ 194-200
A 186-193
A- 180-185
B+ 174-179
B 166-173
B- 160-165
C+ 154-159
C 146-153
C- 140-145
D+ 134-139
D 126-133
D- 120-125
F <120

EXAMS
Exams are all short-answer questions. A typical question asks the student to: calculate the forward premium and compare this to the expected exchange rate differential. Thus the questions have specific answers. Simple calculations and definitions will be asked on the tests.

QUIZ
There will be four quizzes consisting of some multiple choice and some short answer questions. Each quiz will be worth 15 points. These questions will be a good practice for the tests. To give you a chance to learn at the same time, these quizzes will be open book and open notes. Fridays will be test days and quiz days. Each Friday of the six week period will be either a quiz or test.

ATTENDANCE
Attendance is important for receiving a good grade. In case of medical or family emergency, that forces you to miss class for a prolonged time, you should immediately contact me to explain the absence. If you have a difficult time attending classes, do not take this class. The notes are extremely important for success in the class.

HINT
Economics is difficult for some students. Students often say that it makes a lot of sense when I present the issues in class, but then they are lost when the test comes. To avoid this situation you need to keep up with the notes on a daily basis. Make sure you go over the notes after class, outline them and catch possible confusions immediately.

DISABILITY
The KOKUA Program provides academic access services to students with documented physical and/or mental disabilities. E-mail: kokua@hawaii.edu. Web: www.hawaii.edu/kokua

ACADEMIC HONESTY
Cheating will not be tolerated. Any student caught cheating on a midterm or final exam will be given a grade of zero for that exam, and will be reported to the University for any other Disciplinary Actions.