

GEORGE MASON UNIVERSITY

## Econ 420—International Money & Finance

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Professor:	Marian Moszoro [aka “Mariano”]
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Office:	Mondays at 11:30am–12:30pm in Mason Hall D151
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### Time and Venue

Mondays and Wednesdays at 3–4:15pm

Planetary Hall 120

### Description

The course provides a solid background on international finance, with emphasis on why firms engage in international business and how they account for international risk.

The course covers topics related to two fields in international finance: open-economy macroeconomics and financing the global firm. The former is concerned with changes in the global macroeconomic environment (e.g., international monetary environment, determining exchange rates); the latter deals with the effects of the changes in the global macroeconomic environment on financing the international firm (e.g., hedging of currency risk).

### Objectives

After completion of the course, students will be able to:

- Understand various concepts, techniques, and tools to deal with international financial transactions in multi-national corporations (MNCs)
- Understand the nature of investment decisions and capital structure of MNCs
- Understand key the economic theories behind foreign exchange risk management
- Explain the effects of changes in the global macroeconomic environment on financing MNCs, such as firm exposure to changes in foreign exchange rates, interest rates, international accounting standards, socio-political environment, and monetary and fiscal policies worldwide
- Apply basic strategies and techniques associated with foreign exchange risk management

### Teaching Method

The course will be based on a series of lectures, class exercises, Oxford debates, and case studies. Active participation is encouraged.

Class rules: (a) no food, (b) no late entrance, and (c) no cell phones. Please limit the use in class of laptops to the indispensable minimum. You can survive with just an old-school notepad and a calculator.

## Readings

Required textbook: Madura, Jeff (2012): *International Financial Management*, 11th Edition [IFM].

Suggested: daily news from a financial newspaper, e.g., *Financial Times* or *Wall Street Journal*.

Additional readings will be assigned *ad hoc* during the semester and posted on “Blackboard.”

## Requirements and Grades

Grades will be based on mid-term and final exam scores, class participation, a team research project, and blog contributions (see details below).

## Blog Details

During the course, each student should participate and contribute to the course blog in accordance with the following guidelines:

### General directions

1. Students should enroll in the Blackboard blog “International Money & Finance.”
2. For particular sessions students will be asked to write short articles.
3. Each student should contribute at least three articles (blog posts) and at least three comments to other students’ articles.
4. The submission deadline for articles and comments is 6am EST of the next session’s day.
5. Articles and comments will be open to the public and—once posted—cannot be edited or deleted.

### Articles

6. Articles should be ca. 500 words long and written in a single post.
7. Articles should be based on an original research related to the topics discussed in class.
8. Articles can be enhanced with a figure or table.
9. Academic citation rules apply for external sources. Plagiarism will result in fail grade.

### Comments

10. Comments should be ca. 150 words long.
11. Comments should criticize or extend the research presented in the article based on data or original thinking.
12. Allowance: One comment per person per article per session session, and no comments on days when an article was contributed.
13. Comments can be critical, but should be kept in a constructive tone.

### Blog grading

14. The language of the articles and comments should be formal and respectful. Offensive language will result in a fail grade and can also lead to formal sanctions according to the University’s regulations.
15. Grades for blog contributions will be based on the scope, depth, and quality of the articles and comments.

## Research Paper

The research paper will consist of an eight-pages note that includes (~ one page per item):

1. Title page with name and abstract of up to 150 words
2. Introduction: motivation and research question
3. Literature review
4. Hypotheses and propositions
5. Data description and identification strategy
6. Results and limitations of the research
7. Discussion, extensions, and conclusions
8. References (in APA or Chicago style) with at least three papers from the JCR list

For example, a tentative approach to the research paper could be the longitudinal and regional cross-section analysis of Article 4 for a specific country.

Bonus points will be given to papers written using LaTeX and BibTeX.

## George Mason University Honor System and Code

George Mason University's Honor Code requires all community members to maintain the highest standards of academic honesty and integrity. Cheating, plagiarism, lying, and stealing are all prohibited. Honor Code violations will be reported to the Honor Committee. Plagiarism is not accepted (statements from Macon web site: <http://mason.gmu.edu/montecin/plagiarism/htm#plagiarism>).

The use of electronic devices is prohibited during an exam or a quiz; failure to comply with this will result in your failure of the assignment and potentially the failure of the class. Make sure to familiarize yourself with the GMU Honor Code, which is stated in the George Mason University Undergraduate Catalog.

## Accommodations for students with disabilities

Please contact myself the Office of Disability Resources at 703-993-2474 prior to the first exam. All accommodations are to be arranged ahead of time through the Office of Disability Resources. The professor does not have the power to provide accommodations to the students on their own.

## Outline

Aug 29, 2016	<i>Course introduction; Multinational financial management: an overview, IFM Ch. 1</i>
Aug 31, 2016	<i>International flow of funds, IFM Ch. 2</i>
Sept 5, 2016	Holiday—Labor Day
Sept 7, 2016	<i>International financial markets, IFM Ch. 3</i>
Sept 12, 2016	<i>Exchange rate determination, IFM Ch.</i>
Sept 14, 2016	<i>Currency derivatives, IFM Ch. 5 [My birthday :)]</i>
Sept 19, 2016	<i>Government influence on exchange rates, IFM Ch. 6</i>
Sept 21, 2016	<i>International arbitrage and interest rate parity, IFM Ch. 7</i>
Sept 26, 2016	<i>Relationships between inflation, interest rates, and exchange rates, IFM Ch. 8</i>
Sept 28, 2016	<i>Class exercise inflation, interest rates, and exchange rates</i>
Oct 3, 2016	<i>Review session</i>
Oct 5, 2016	<i>Research paper due (points 1–4)</i>
Oct 11, 2016	<i>Oxford Debate: Polish Toxic Currency Options—Should the government intervene?</i>
[Moved from 10/10]	Rules: <a href="http://www.studymode.com/course-notes/Format-Of-Debate-Oxford-Oregon-Type-1856069.html">http://www.studymode.com/course-notes/Format-Of-Debate-Oxford-Oregon-Type-1856069.html</a> ; Example: <a href="https://www.youtube.com/watch?v=8K222vPeflg">https://www.youtube.com/watch?v=8K222vPeflg</a>
Oct 12, 2016	<i>Forecasting exchange rates, IFM Ch. 9</i>
Oct 17, 2016	<i>Class exercise on forecasting exchange rates</i>
Oct 19, 2016	<i>Measuring exposure to exchange rate fluctuations, IFM Ch. 10</i>
Oct 24, 2016	<i>Managing transaction and economic exposure, IFM Ch. 11 &amp; 12</i>
Oct 26, 2016	<i>Direct foreign investment, IFM Ch. 13</i>
Oct 31, 2016	<i>Multinational capital budgeting, IFM Ch. 14</i>
Nov 2, 2016	<i>Review session; quiz</i>
Nov 7, 2016	<i>Oxford debate: Brexit—“Stay” versus “Exit”</i>
Nov 9, 2016	<i>Country risk analysis, IFM Ch. 16</i>
Nov 14, 2016	<i>Multinational cost of capital and capital structure, IFM Ch. 17</i>
Nov 16, 2016	<i>Long-term financing, IFM Ch. 18</i>
Nov 21, 2016	<i>Short-term asset and liability management; short-term financing, IMF Ch. 19 &amp; 20</i>
Nov 23, 2016	Holiday—Thanksgiving
Nov 28, 2016	Case study— <i>A Wind Farm Project Finance Deal</i> . Barcelona: IESE Case F-886-E
Nov 30, 2016	Class discussion— <i>A Wind Farm Project Finance Deal</i> . Barcelona: IESE Case F-886-E
Dec 5, 2016	<i>Review session</i>
Dec 7, 2016	<i>Consultations; research project due (points 1–8)</i>