

Syllabus: ITRN 602

Spring 2003

Course Number: ITRN 602 Spring 2002 (Draft)

Course Title: *International Financial Institutions and the Forces of Globalization*

This course examines character and dynamics of international financial institutions in the world economy and the interactions between the public and private sectors throughout the world. After a review of the mechanics of international financial systems and operations, the structure and composition of various international financing regimes are examined and their evolution under the influence increasing globalization. The respective roles of the international investment and capital markets and international financial and donor institutions in the process of financial market development are covered, with particular emphasis on emerging and transitioning economies. The growth of both international and domestic financial markets and instruments are reviewed, as is the evolving relationship between the public and private sectors.

Class Dates: Wednesdays: 4:30 - 7:00 P.M.
1st Class – January 22, 2003
Last Class – April 30, 2003
Final Exam – May 6, 2003 (regular class time)

Course Objectives:

This course provides an introduction to and survey of international finance and financial institutions. Aside from the basic mechanics of international finance and the institutions that support it, considerable emphasis will be placed on the historic and political context. The course will be taught from interrelated three perspectives: First will be that of the firm that has international financial operations and the basic concepts and procedures it must know in making plans and conducting operations. The second perspective will be that of the private and public financial institutions that are involved in international commerce and international financial relations. This will include not only the banking system, but also the specialized institutions that seek to promote, govern or influence international commerce and financial relationships. The third perspective will be that of creating markets in developing economies and their relationship with international commerce and domestic governments. How these are developed and integrated into the international markets will be addressed in this course.

Instructor: John E. Petersen (703) 273-2653 (H) (703) 993-2286 (W)
eMail jep@gmu.edu Office ARL 265

Method of Instruction:

This course will be taught as a survey course. Many topics will be covered. Some may not be considered as thoroughly as one might desire. It is not a seminar, but I want you to participate in class discussion and there will be a list of questions for discussion. Your participation should demonstrate an understanding of the course assignments (please read ahead) and a familiarity with current developments in the areas of study.

Requirements:

Keep abreast of current issues in international finance by reading at least one newspaper with international coverage (*Wall Street Journal*, *Washington Post*, *New York Times*, *Financial Times*). The *Economist* is highly recommended. Participate actively in class discussions. Do your presentations, complete your research papers satisfactorily, and pass the examinations.

Class Presentations:

During the semester, you need to stay informed on current developments that are relevant to international finance and financial institutions. As part of your class participation grade, you will be assigned 5-minute individual presentations to be made about current news items dealing with international financial developments. These can be based on clippings from newspapers, magazines, newsletters, or professional journals. Any subject bearing on international finance is fair game. Your presentation should summarize the news item and then relate it to some concept, practice, or problem in international finance and management, including your observations on its implications. Please submit a one-page outline of your presentation to me when you give your presentation. I will hand out a schedule of the presentations at the third class session and there will be presentations at most sessions starting thereafter. Also, please do not exceed 5 minutes.

Interest Profile:

Please write a brief (not more than one page) profile telling about your background, graduate-level course work, your career aspirations, and your expectations from this course. Please submit the interest profile to me no later than the second class session.

Research Paper:

One research paper is assigned during the semester. *It is not to exceed 10 pages*, double-spaced, including charts or graphics, footnotes and references.

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(Do not exceed 10 pages: I will stop reading after 10 pages and grade accordingly.) I'd greatly appreciate your using 12 point type size. You may select a topic of interest to you in the area of international finance and financial management. The topic should be submitted to me beforehand is subject to my approval. If you wish, you may select one from a list of topics that I will provide.

The paper should demonstrate your ability to *define the problem, point out its significance and make a reasoned argument as to why proposed or attempted solutions are, or were, better or worse, successful or not.* You are encouraged to use the work of others, but you should carefully quote and cite your sources. I want your analysis and your conclusions.

Please have your research paper topic submitted no later than the fifth class session and approved by me by the sixth session. Research papers are due by April 9. Instructions will be provided concerning delivery.

Books & Materials *Institutions*

James Baker. *International Finance: Management, Markets, and*

Prentice Hall (1998 edition)

Joseph Stiglitz *Globalization and Its Discontents* W.W. Norton (2002)

Daniel Yergin and Joseph Stanislaw. *The Commanding Heights* Touchstone: Simon and Shuster (either 1999 or 2002 edition)

Paul Krugman. *The Return of Depression Economics* W.W. Norton (2000)

World Bank. *World Development Report: Building Institutions for Markets* (2002)

Annual Report: International Monetary Fund (2002) *IMF web site*

Annual Report: The World Bank (2002) *World Bank web site*

Council on Foreign Relations: Executive Summary: Task Force on International Financial Architecture (1999): www.cfr/pubs/IFATaskForce

Assorted Handouts

Quiz:

There will be an hour quiz at the beginning of the February 26 class session. It is intended to give both you and me an early indicator of your understanding of the material covered to date. The quiz will consist of short essay answers and definitions and will last for one hour.

Grading:

Weights for the course grade will be as follows:¹

¹ Where letter or numeric grades are used, the following is the sequence of equivalence:

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Quiz	15%
Research Paper	30%
Class Participation	10%
Class Presentation	10%
Final Examination	35%

Office Hours:

I will be available before class at the hours given below or in my office by appointment. My normal office hours for meeting will be 3:00 PM to 4:00 PM on most Wednesdays and 4:00 PM to 6:00 PM on most Thursdays. Other times are possible. For an appointment, please call or email ahead: My telephone is (703) 993-2886 (office) or (703) 273-2653 (Home). My university e-mail is address is jep@gmu.edu. My office number is ARL 265.

Course Schedule: (Subject to change)

January 22	Introductions, scope and objectives of course, discussion of presentations and research papers. Basic concepts in international trade and the changing trade environment
	Readings: Baker: Chapter 1 Yergin: Introduction, Chapters 1 to 2
January 29	Basics of the International Monetary System, Foreign Exchange:
	Readings: Baker: Chapters 2 to 4 Yergin: Chapters 3 to 5
February 5:	PERSONAL PROFILE DUE Direct Investment and Various Risks
	Readings: Baker: Chapter 5 and 6 Yergin: Chapters 6 to 8
February 12:	Long-term Capital Management: The Firm's Perspective
	Readings: Baker: Chapters 7 and 8 Yergin: Chapters 9 to 11

February 19:

RESEARCH PAPER TOPIC DUE

International Banking: Institutions and Practices

Readings: Baker: Chapters 9 and 10
Yergin: Chapters 12 and 13

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- February 26: **QUIZ AT BEGINNING OF CLASS**
International Securities Markets
Readings: Baker: Chapters 12 and 13
- March 5: International Financial Crises: Contemporary Challenges to Globalization
Readings: Krugman: pp. 1-82.
- March 12: **NO CLASS Spring Break**
- March 19: International Financial Crises continued
Readings: Krugman: pp. 83-169
- March 26: Non-Bank Financial Institutions:
Readings: Baker: Chapter 11
World Bank Annual Report
- April 2: International Monetary and Finance Institutions and Their Policies
Readings: International Monetary Fund Annual Report
Stiglitz: Chapter 1 to 3
- April 9: **Research Paper Due: No Class**
Readings: Stiglitz: Chapters 4 to 6
- April 16: Fixing the International Financial System
Readings: Stiglitz : Chapters 7 to 9
Council on Foreign Relations: Executive Summary:
Task Force on International Financial Architecture (1999):
www.cfr/pubs/IFATaskForce
- April 23: Building and Accessing Domestic Financial Markets
Readings: World Bank, 2002 World Development Report
Chapters 1- 4
- April 30: Subsovereign Credit Markets in Emerging Economies
Readings: World Bank, 2002 World Development Report
Chapters 5- 9
Petersen & Freire, *Subsovereign Markets*
(readings to be handed out)

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May 7: **FINAL EXAM** (Regular class time)