

## Syllabus: ITRN 602

Spring 2004

**Course Number:** ITRN 602 (002) Spring 2004 (Draft .. Subject to revision)

**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 monetary 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 and interplay of both international and domestic financial markets and instruments are reviewed, as is the changing relationship between the public and private sectors.

**Class Dates:** Tuesday 4:30 - 7:00 P.M. Room: ARL 246  
1st Class – January 20, 2004  
Last Class – April 27, 2004  
Final Exam – May 4, 2004 (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)  
E-mail [jep@gmu.edu](mailto: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. 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 third 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. (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 by February 17. It is subject to my approval, but I will get back to you if I have any questions or concerns. 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. Research papers are due by April 6. Instructions will be provided concerning delivery.

**Books & Materials**

Michael Melvin *International Money and Finance* Addison Wesley Longman (6<sup>th</sup> edition or later)  
Joseph Stiglitz *Globalization and Its Discontents* W.W. Norton (2002)  
Harold James *The End of Globalization* Harvard University Press (2002)  
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 (2003) *IMF web site*  
Annual Report: The World Bank (2003) *World Bank web site*  
Council on Foreign Relations: Executive Summary: Task Force on International Financial Architecture (1999): Michael [www.cfr/pubs/IFATaskForce](http://www.cfr/pubs/IFATaskForce)  
Assorted Handouts and web resources given during classes

**Quiz:**

There will be an hour quiz at the beginning of the February 24 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:<sup>1</sup>

Quiz	15%
Research Paper	30%
Class Participation	10%

---

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

A+: 98-100, A: 92-97.9 A-: 90-91.9 B+: 88-89.9, B: 82-87.9, B-: 80-81.9 C+: 78-79.9, C: 72-77.9, C-: 70-71.9

## Syllabus: ITRN 602

Spring 2004

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 4:30 PM on most Tuesday and 4:00 PM to 6:30 PM on most Wednesdays. 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 address is [jep@gmu.edu](mailto:jep@gmu.edu). My office number is ARL 265.

### Course Schedule: (Subject to change)

January 20	Introductions, scope and objectives of course, discussion of presentations and research papers. Basic concepts in international finance and the changing financial environment Historical Setting: Readings: Melvin: Chapter 1
January 27	Basics of the International Monetary System, Foreign Exchange:  Readings: Melvin: Chapter 2 and 3 James: Chapters 1 and 2
February 3:	<b>PERSONAL PROFILE DUE</b> Exchange Rate Regimes and Adjustments Readings: Melvin: Chapter 4, 5 and 6 James: Chapters 3 to 4
February 10:	Prices and Exchange Rates and Balance of Trade  Readings: Melvin: Chapters 8, 9 and 10 James: Chapter 5
February 17:	<b>RESEARCH PAPER TOPIC DUE</b> Long-term Capital Management: The Firm's Perspective  Readings: Melvin: Chapters 7 and 12 James: Chapter 6

## Syllabus: ITRN 602

Spring 2004

- February 24:           **QUIZ AT BEGINNING OF CLASS**  
International Securities Markets  
Readings:       Melvin: Chapter 11
- March 2:               International Financial Crises: Contemporary Challenges to Globalization  
Readings:       Krugman: pp. 1-82.
- March 9                **NO CLASS .... Spring Break**
- March 16:             International Financial Crises continued  
Readings:       Krugman: pp. 83-169
- March 23:             Non-Bank Financial Institutions:  
Readings:       Melvin Chapter 13  
World Bank Annual Report 2002
- March 30              International Monetary and Finance Institutions and Their Policies  
Readings:       International Monetary Fund Annual Report 2002  
Stiglitz: Chapter 1 to 3
- April 6:               **Research Paper Due:**  
Readings:       Stiglitz: Chapters 4 to 6
- April 13:              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](http://www.cfr/pubs/IFATaskForce)
- April 20:              Building and Accessing Domestic Financial Markets  
Readings:       World Bank, 2002 World Development Report  
Chapters 1- 4
- April 27:              Subsovereign Credit Markets in Emerging Economies  
Readings:       World Bank, 2002 World Development Report  
Chapters 5- 9
- May 4:                 **FINAL EXAM** (Regular class time)