



## BUSINESS SCHOOL

### Course Outline 2018

### ECON751: ADVANCED INTERNATIONAL FINANCE (15 POINTS)

### Semester 2 (1185)

#### Course prescription

This course introduces key empirical facts on international finance, develops theoretical models explaining some puzzling phenomena, and analyses policy-related issues.

#### Course advice

Before taking this course, students should have understood the material taught in ECON 352 International Finance and/or ECON 311 Macroeconomic Theory and Policy or in corresponding postgraduate level courses. This course may also complement other advanced courses, for example in Finance and International Business.

#### Goals of the course

The course offers an introduction to international finance and macroeconomics at the graduate level. The goal is to provide the conceptual and analytical framework for thinking about contemporary issues in international finance.

The course documents the empirical facts as well as explores the causes and consequences of financial globalization. In particular, it analyses the empirical pattern of international capital flows, explores various mechanisms behind international financial crises, and discusses capital account management policies. In particular, it addresses the critical role of financial markets and institutions in the international financial system (and in the global financial crisis) as well as the role played by central banks and the IMF.

By offering a combination of empirics and theories, this course exposes students to advanced modelling techniques and frontier research. Students are also expected to apply the technical skills and to make critical analysis on various topics in international finance.

#### Learning outcomes (LO)

#	Learning outcome	Graduate profile capability
LO1	Explore empirical evidence and policy-related issues in international finance and monetary system	1. Disciplinary knowledge and practice 4a. Communication (Oral) 4b. Communication (Written)
LO2	Identify core assumptions and derive key results of international macro models, explore the impacts of information and financial frictions	1. Disciplinary knowledge and practice 2. Critical thinking 3. Solution seeking

#	Learning outcome	Graduate profile capability
LO3	Grasp the advanced modelling and analytical techniques, make critical evaluations of research articles in top journals, write referee reports and present the findings in the class	1. Disciplinary knowledge and practice 2. Critical thinking 4a. Communication (Oral) 4b. Communication (Written)
LO4	Analyse the causes and implications of market imperfections, design optimal policy for financial markets and capital flow management	1. Disciplinary knowledge and practice 3. Solution seeking 4b. Communication (Written)
LO5	Distinguish between long-run trend vs. short-run volatility of capital flows, characterize key statistics featuring global imbalances and international financial crisis	1. Disciplinary knowledge and practice 3. Solution seeking 4b. Communication (Written)
LO6	Review recent developments in the international monetary and financial system, discuss current and future challenges	1. Disciplinary knowledge and practice 2. Critical thinking 4a. Communication (Oral) 4b. Communication (Written)

\* See your graduate profile at the end of this course outline.

## Content outline

Module	Week	Topic	Relevant learning resources/activities	Assessment due this week/module
Part I: Causes and Consequences of Global Imbalances	1	Stylized Facts & Empirical Evidence	A Simple Two-Period Model Economy	
	2	The Role of Heterogeneous Financial Development	Caballero, et. al (AER, 2008) von Hagen and Zhang (JDE, 2014)	
	3	Trade-Driven Sectoral Shifts	Zhang (2017)	
	4	The Rise of "Unobserved Capital"	Barkai (2016) Chen, Karabarbounis, and Neiman (JME, 2017)	
	5	Productivity Implications of Financial Integration	Within- and Cross-Firm Investment Reallocation	Problem Set 1
	6	Presentation of Group Project I	Tutorial 1	

Part II: Capital Flow Volatility & Optimal Capital Controls	7	Stylized Facts & Empirical Evidence	Reinhart and Reinhart (2009) Forbes and Warnock (JIE, 2012)  Broner et al. (JME, 2013)	
	8	Externality & Optimal Intervention	Solution Procedure	
	9	Imperfect Risk- sharing under Private Information	Caballero and Krishnamurthy (JET, 2004)	
	10	Pecuniary Externality & Capital Inflow Taxes	Jeanne and Korinek (AER, 2010)	
Part III: Introduction to GFCy	11	Recent Developments on Global Financial Cycles	Empirical Facts and Policy Responses	Problem Set 2
	12	Group Project Presentation II	Tutorial 2	

## Learning and teaching

Lectures are held at **09:00-12:00, Monday**, in OGGB room **260-325**.

The course is rigorously structured and conducted at a fast pace. Students must clarify doubts at the earliest by reviewing the lecture recording, contacting the lecturer or through group discussion with classmates.

Students are encouraged to read about current events in the global economy and share their opinions in the classroom discussions during the semester.

## Teaching staff

Email: [haiping.zhang@auckland.ac.nz](mailto:haiping.zhang@auckland.ac.nz)

Telephone: 9231152

Office Hours: Monday 1:30 PM – 3:00 PM

Location: OGGB Room 260-657

## Learning resources

There is no set text. Please check Canvas regularly for course announcements, lecture slides, and other learning materials. Supplementary materials are as follows:

- Obstfeld, M. and K. Rogoff, *Foundation of International Macroeconomics*, 1996, MIT Press.
- Uribe, M & S. Schmitt-Grohé, *Open Economy Macroeconomics*, 2017, Princeton University Press.
- Obstfeld, M. and A. M. Taylor, *Global Capital Markets: Integration, Crisis, and Growth*, 2005, Cambridge University Press.
- Reinhart, C. M. and K. Rogoff, *This Time is Different: Eight Centuries of Financial Folly*, 2011, Princeton University Press.

### Some Useful Links

- [WTO](#), [OECD](#), [World Bank](#), [UNCTAD](#), [World Economic Forum](#), [The Economist](#)

## Assessment information

Assessment task	Weight %	Group / individual	Submission
Problem Sets	10 %	Individual	Week 5 & 11
Group Projects	40 %	Group	Week 5 & 11
Final Exam	50 %	Individual	TBA

## Pass requirements

To pass this course, students must get more than 50% of total mark. *Plussage does NOT apply.*

## Description of assessment tasks

Assessment task	Learning outcome to be assessed
Problem sets provide an indication of the standard required and an opportunity to develop problem-solving skills.	LO1, LO2, LO3, LO4, LO5, LO6
<ol style="list-style-type: none"><li>1. In group project 1, students are expected to identify the long-run patterns of international capital flows, explore the key factors behind these patterns, and discuss the relevant policy measures.</li><li>2. In group project 2, students are expected to characterize the short-run dynamics of international capital flows, explore the key factors behind international financial crisis, and discuss the relevant policy measures.</li></ol> <p>Besides the thesis, students are expected to present the key findings of the group project in the classes of week 6 and 12, respectively.</p>	LO1, LO2, LO3, LO4, LO5, LO6
In the final exam, student should demonstrate the problem-solving skills, and the understanding of theoretical models, and the ability of describing and explaining their results intuitively.	LO1, LO2, LO3, LO4, LO5, LO6

## Inclusive learning

Students are urged to discuss privately any impairment-related requirements face-to-face and/or in written form with the courses convenor/lecturer and/or tutor.

## Academic integrity

The University of Auckland will not tolerate cheating, or assisting others to cheat, and views cheating in coursework as a serious academic offence. The work that a student submits for grading must be the student's own work, reflecting his or her learning. Where work from other sources is used, it must be properly acknowledged and referenced. This requirement also applies to sources on the worldwide web. A student's assessed work may be reviewed against electronic source material using computerised detection to provide an electronic version of their work for computerised review.

## Student feedback

Student feedback is highly encouraged in this course. During the semester, students may directly submit their feedback to the lecturer, or they may wish to submit feedback through the class representative.

## In the event of an unexpected disruption

We undertake to maintain the continuity and standard of teaching and learning in all your courses throughout the year. If there are unexpected disruptions, the University has contingency plans to ensure that access to your course continues and your assessment is fair, and not compromised. Some adjustments may need to be made in emergencies. In the event of a disruption, the University and your course coordinators will make every effort to provide you with up to date information via Canvas and the University website.

## Bachelor of Commerce Graduate Profile

The following six themes represent the capabilities that the Business School seeks to foster in all of its graduates. The development of these capabilities does not come all at once, but rather is expected to build from year to year. Each course is not expected to contribute to all capabilities, but each course will have its own goals and learning outcomes that relate to the overall development of this profile.

Graduate Profile for
<b>1. Disciplinary knowledge and practice</b> Graduates will be able to apply specialised knowledge within their discipline to demonstrate an advanced awareness and understanding in a global context.
<b>2. Critical thinking</b> Graduates will be able to analyse and evaluate the relevant literature, and develop well-reasoned arguments that demonstrate advanced and diverse thinking.
<b>3. Solution seeking</b> Graduates will be able to identify, frame and analyse issues and develop innovative evidence-based solutions.
<b>4. Communication and engagement</b> Graduates will be able to engage, communicate and collaborate with diverse groups using multiple formats.
<b>5. Independence and integrity</b> Graduates will be able to demonstrate independent thought, self-reflection, ethics and integrity.
<b>6. Social and environmental responsibility</b> Graduates will consider, in relation to their discipline, the potential significance of the principles underpinning both the Treaty of Waitangi and sustainability.

Note that if you are enrolled in a conjoint degree, you should also engage with the Graduate Profile for your other degree programme.