

**COURSE DATA****DATA SUBJECT**

Code: 43738
Name: International finance
Cycle: Master's Degree
ECTS Credits: 4
Academic year: 2026-27

STUDY (S)

Degree	Center	Acad. year	Period
2166 - Master's Degree in Economic Globalisation: International Trade Management	Facultat d'Economia	1	First quarter

SUBJECT-MATTER

Degree	Subject-matter	Character
2166 - Master's Degree in Economic Globalisation: International Trade Management	International economic flows	ELECTIVES

COORDINATION

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SUMMARY

The core of the subject "International Finance" is the study of the macroeconomic side of the international economy, and is therefore complementary to the subject "International Financial Management", a Master's course that covers topics related to the study of the functioning of the international financial markets and the available financing instruments.

The aim of the course is to provide a concise and systematic presentation of that part of the macroeconomics of an open economy that fundamentally analyses four relevant issues:

(i) the determinants of the nominal and real exchange rate in the short and long run; (ii) the role of monetary and fiscal policy in determining the current account balance, income and the nominal exchange rate; (iii) the origin of balance of payments crises and the problem of capital flight; (iv) and the relative advantages and disadvantages of a flexible versus a fixed exchange rate system.

A simple macroeconomic model is used as a thread running through the course, which is developed in stages throughout the different topics. The main ingredient of the model is the ratio of uncovered interest parity, later augmented by the introduction of risk premia.

Among the topical topics that we try to explain with the model are the `over-reaction; of the nominal exchange rate, the behaviour of real exchange rates in the long run, and the causes of central bank intervention in foreign exchange markets, among others.

We believe that students assimilate the study of international economics more easily when theoretical



knowledge is presented in relation to real-world events, rather than as an isolated set of abstract theorems drawn from more or less complex theoretical models.

For this reason, the general tone of the course will be to prioritise key concepts and their practical application rather than pure theoretical-mathematical formalism, so that only a basic knowledge of macroeconomics will be required.

The subject "International Finance" is a compulsory and semester subject in the speciality of "Economic Integration", taught in the first year (first semester) of the Master in Economic Internationalisation: International Trade Management.

The course load is 4 credits, divided into compulsory attendance to the theoretical and practical classes, study and preparation of the classes and resolution of the practicals (continuous assessment), reading and analysis of the entries in the subject's blog, study in preparation for the final exam, attendance to the tutorial hours in person or by e-mail and, finally, attendance to the seminars and conferences indicated by the teacher

PREVIOUS KNOWLEDGE

RELATIONSHIP TO OTHER SUBJECTS OF THE SAME DEGREE

There are no specified enrollment restrictions with other subjects of the curriculum.

OTHER REQUIREMENTS

COMPETENCES / LEARNING OUTCOMES

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Articular de forma sòlida arguments crítics con las posiciones defendidas por los compañeros de actividad o los posibles socios en los negocios, a la par que desarrollar la autocrítica respecto a los propios posicionamientos.

Conocer el entorno institucional, particularmente el de la Unión Europea, en el que se desarrolla el proceso de internacionalización en la actual economía globalizada.

Desarrollar la capacidad de trabajar en equipo, respondiendo a situaciones problemáticas de manera colectiva.

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Desarrollar las capacidades de análisis y síntesis precisas para abordar problemas complejos.

Desarrollar un conocimiento suficiente y un empleo efectivo de las fuentes estadísticas y documentales necesarias para sustentar las propuestas efectuadas.

Detectar oportunidades y riesgos en los mercados internacionales, en particular en las economías emergentes.



Obtener el necesario conjunto de conocimientos sobre la situación de la economía mundial y del comercio internacional para entender el contexto en el que evoluciona la actividad de empresas e instituciones con proyección internacional.

Obtener una visión amplia de las relaciones comerciales internacionales, enfocando la problemática de la empresa o institución desde una perspectiva global.

Saber aplicar los conocimientos adquiridos y ser capaces de resolver problemas en entornos nuevos o poco conocidos dentro de contextos más amplios (o multidisciplinares) relacionados con el comercio internacional y la integración económica

Students should apply acquired knowledge to solve problems in unfamiliar contexts within their field of study, including multidisciplinary scenarios.

Students should be able to integrate knowledge and address the complexity of making informed judgments based on incomplete or limited information, including reflections on the social and ethical responsibilities associated with the application of their knowledge and judgments.

Students should communicate conclusions and underlying knowledge clearly and unambiguously to both specialized and non-specialized audiences.

Students should demonstrate self-directed learning skills for continued academic growth.

Students should possess and understand foundational knowledge that enables original thinking and research in the field.

DESCRIPTION OF CONTENTS

1. Topic 1. National accounts and balance of payments

- 1.1. National accounts.
- 1.2. National income accounting in an open economy
- 1.3. Balance of payments accounting.

Topic 2. Exchange rates and the foreign exchange market: an asset-based approach .

- 2.1 Exchange rates and international transactions. The foreign exchange market.
- 2.2. Demand for foreign exchange assets.
- 2.3 Equilibrium in the foreign exchange market: the uncovered interest parity condition.
- 2.4. Interest rates, expectations and equilibrium.
- 2.5. The forward foreign exchange market and the parity condition interest rate hedging

3. Topic 3. Money, interest and exchange rates

- 3.1 . The definition of money. The demand for money by individuals. Aggregate money demand.
- 3.2. The equilibrium interest rate: the interaction of the supply and demand for money.
- 3.3. The money supply and the short-term exchange rate.
- 3.4. Money, the price level and the exchange rate in the long run.
- 3.5. Inflation and exchange rate dynamics. Exchange rate overshooting.



4. Topic 4. The price level and the long-run exchange rate (I): PPP.
 - 4.1. The law of one price.
 - 4.2. Purchasing Power Parity (PPP).
 - 4.3. A long-run exchange rate model based on PPP: the fundamental equation of the monetary approach.
 - 4.4. Nominal interest differentials and PPP.
 - 4.5. The Fisher International effect.
 - 4.6. Empirical evidence on PPP and the law of one price.
 - 4.7. Explanations of the PPP problems

5. Topic 5. The long-run price level and the exchange rate (II): a model more general than the PPP
 - 5.1. The real exchange rate.
 - 5.2. Demand, supply and the real long-run exchange rate.
 - 5.3. The extended equation for determining long-term nominal exchange rates
 - 5.4. Nominal interest differentials and the real exchange rate.
 - 5.5. The real interest differential and the real exchange rate: the Real Interest Parity

6. Topic 6. Domestic output and the short-term exchange rate (I): equilibrium
 - 6.1. Determinants of aggregate demand in an open economy.
 - 6.2. The aggregate demand equation.
 - 6.3. Determination of short-run national output.
 - 6.4. The market equilibrium of domestic output in the short run: the DD function.
 - 6.5. The short-run asset market equilibrium: the AA function.
 - 6.6. The short-run open economy equilibrium: the combination of the DD and AA functions.

7. Topic 7. Domestic output and the exchange rate in the short run (II): the effects of changes in macroeconomic policies.
 - 7.1. Transitory changes in fiscal and monetary policies.
 - 7.2. Inflationary bias and other problems of policy formulation.
 - 7.3. Permanent changes in fiscal and monetary policies.
 - 7.4. Macroeconomic policies and the current account balance: the XX function.
 - 7.5. The gradual adjustment of trade flows and the temporary dynamics of the current account balance.
 - 7.6. The liquidity trap

8. Topic 8. Fixed exchange rates and foreign exchange intervention
 - 8.1. Why study fixed exchange rates?
 - 8.2. Central bank intervention and the money supply.
 - 8.3. How the central bank sets exchange rates.
 - 8.4. Macroeconomic stabilization policies with fixed exchange rates.
 - 8.5. Balance of payments crises and capital flight.
 - 8.6. Foreign exchange market equilibrium with imperfect asset substitutability.
 - 8.7. Intervened fluctuation and sterilised intervention

WORKLOAD

PRESENCIAL ACTIVITIES



Activity	Hours
Tutorials	2,00
Theory	27,00
Seminar	4,00
Other activities	2,00
Group work	5,00
Total hours	40,00

NON PRESENCIAL ACTIVITIES

Activity	Hours
Attendance at other activities	5,00
Individual or group project	10,00
Independent study and work	30,00
Preparation of lessons	10,00
Preparation for assessment activities	15,00
Resolution of case studies	20,00
Total hours	90,00

TEACHING METHODOLOGY

The course load is 4 credits, divided into compulsory attendance to the theoretical classes, study and preparation of the theoretical classes and resolution of the practical classes, reading and analysis of the entries in the course blog, study in preparation for the final exam, attendance to the tutorial hours in person or by e-mail and, finally, attendance to the seminars and conferences indicated by the teacher.

EVALUATION

The final mark for the course will come from the combination of the following two elements:

1. Continuous assessment activities to be developed during the course. These will consist of 4 blocks of activities that will be specified by the teacher at the beginning of the course.
2. The final written exam, with development questions (although with relatively limited space). The questions will be of a theoretical or theoretical-practical nature, and the student will have to answer a maximum of 3 of the 4 questions proposed during 2 hours.

The final mark will be on a scale of 0 to 10 and will be the sum of the 4 partial marks of the continuous assessment activities and the 3 questions of the final exam. Thus, the continuous assessment activities will be weighted 20% of the final mark (5% for each block) and the final exam 80%.

These criteria will be maintained in the two examinations of the course.

REFERENCES

- Krugman, P.R., Obstfeld, M. and Melitz, M.J. (2016): International Economics. Teoría y Política, 10th edition, Pearson Educación, Madrid
- Throughout the course students will be encouraged to read the economic press and, in particular, to follow news and events related to the international economy. In addition, additional



reading material will be provided in the entries of the subject's Blog elaborated by the teacher. This Blog is entitled Journey to the Bottom of International Finance and can be followed on three internet channels:

Blogger Blog: <http://vicenteesteve.blogspot.com/>. Facebook: <http://www.facebook.com/vicente.esteve.54>

Twitter: <http://twitter.com/vicenteesteve>