

ECON-3633: International Finance Theory

Section 002, Fall 2025

Department of Economics, University of Oklahoma

SYLLABUS

Note: The syllabus is the plan. Modification of the plan may be needed during the semester. The instructor will make explicit announcements pertaining to any such changes.

General Information

Lecture: TR 4:30 pm – 5:45 pm, Room 326, Cate Center One

Instructor: Hewei Shen

Email: hewei.shen@ou.edu

Office Hours: 1 pm - 2 pm on Tuesdays, 2 pm – 3 pm on Thursdays, and by appointment in Room 334 Cate Center One. Zoom options are available upon request.

Teaching Assistant: Chang Gao (chang.gao@ou.edu)

TA Office Hours: 1 pm - 2 pm on Wednesdays and Fridays in Room 336 Cate Center One.

Course description: This course is an introduction to international finance and is designed to introduce students to theoretical and empirical analysis of global financial markets. In this era of globalization (and financial crisis!) no student of economics, finance or any other field can fully understand current economic and political developments without a strong background in international finance.

Traditionally, international economics is divided into two broad subfields: the study of international trade and the study of international finance. International trade analysis focuses primarily on the real transactional economy, that is, on those transactions that involve a physical movement of goods or a tangible commitment of economic resources. International finance

focuses on the monetary side of the international economy, that is, on financial transactions such as foreign purchases of U.S. dollars. Furthermore, while international trade analysis primarily uses microeconomic theory, international finance uses macroeconomic theory.

We will first study the macroeconomic accounting system in an open economy framework using the balance-of-payments accounts. Next, we will cover the foreign exchange market and apply no arbitrage ideas to derive parity conditions for exchange rates. We will also explore the determinants of international capital flows, foreign exchange risk, and financial derivatives, as well as different theories of exchange rate determination. Once these cornerstones are in place, we will study the past and present international monetary arrangements, issues, and problems. We will conclude by visiting the current challenges and dilemmas faced by the existing international financial order, including the US current account problems and the 2008 global financial crisis. Overall, the subjects can be broken down into two sections: open economy macroeconomics (Chapters 2 through 7) and the applications of the theory to international monetary policy (Chapters 8 through 11).

Prerequisites: ECON-1113 (Principles Macro) and ECON-1123 (Principles Micro).

Required Textbook: *International Finance: Theory and Policy*, 11th edition, by Krugman, Paul R., Obstfeld, Maurice, Melitz; ISBN: 9780134542522. You will need access to MyLab Economics to complete online assignments. Other course material, including lecture notes, assigned reading, and assignments, will be posted on Canvas.

Learning Outcomes: By the end of the course, students will be able to:

- Understand the concepts of national income accounts and the balance of payments system.
- Describe how exchange rates are determined in the foreign exchange market in the short run.
- Analyze the connection between money supply, interest rates, inflation, and exchange rates in the short run and long run.

- Evaluate the impact of monetary and fiscal policies under fixed and flexible exchange rate systems.
- Understand how central banks intervene in the foreign exchange markets.
- Compare historical and current international monetary systems.
- Describe the economic implications of the introduction of the Euro and optimum currency areas.
- Discuss the challenges of growth, crisis, and reform in developing economies.
- Apply theoretical models to real-world issues in international finance and policy debates.

Course Website: Course material and announcements for the class will be posted through Canvas.

Grading Policy

Your course grade will depend on your performance in the following weighted areas.

- Assignments: 20%
- Midterm Exam 1 on October 7th: 25%
- Midterm Exam 2 on November 11th: 25%
- Final Exam on December 15th: 30%
- Attendance: *extra* 2%

Grading Scale:

A: 90%	B: 80%	C: 70%	D: 60%	F: Below 60%
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Exams: There are two in-class midterm exams and one final exam. The dates of the midterm exams are listed above. The final exam will cover all topics discussed throughout the course and is scheduled for **Monday, December 15th, 2025, 4:30 pm to 6:30 pm**, in Room 326 Cate Center One. **Your schedule must permit you to be free to take the final exam at the time above.**

Unexcused absences result in 0 for exams. If you miss a midterm and have a documented excuse, the midterm's weight will shift to the final exam. If you miss more than one midterm exam, you must take the make-up exam for the second midterm exam you missed. It is your responsibility to coordinate with me and complete the make-up exam within one week of the missed exam. Evidence of excuse must be sent to the instructor no later than two weekdays after the exam day.

Assignments: Assignments are used to help you review course material and apply the tools learned in class. There will be 8-10 online homework assignments, and the lowest two scores will be dropped. Late homework will not be graded and will automatically receive a 0. No make-up or individual due extension will be given to homework. Assignments will be submitted through MyLab Economics and they will be posted at least four days before they are due. The due dates will be announced both in class and on Canvas.

Attendance: You are expected to positively contribute to the learning environment. Even the best textbook cannot possibly replicate a great classroom environment. **I will take attendance 15 times.** These can boost your final grade by no more than 10 course points (2% of your final grade). Adjustments are as follows: 13-15 times earns a boost of 10 points (2%), 12 times earns a boost of 5 points (1%), and 11 times or less earns 0 points.

Tentative Course Outline

The course outline is tentative. Some topics might be expanded or omitted to best match students' interests. Explicit announcements of the changes will be made in class and through Canvas if there are any.

Aug. 28	Chapter 1: Introduction
Sep. 2, 4 & 9	Chapter 2: National Income Accounting and the Balance of Payments
Sep. 11 & 16	Chapter 3: Exchange Rates and the Foreign Exchange Market: An Asset Approach
Sep. 18, 23 & 25	Chapter 4: Money, Interest Rates, and Exchange Rates
Sep. 30	Chapter 5: Price Levels and the Exchange Rate in the Long Run
Oct. 2	Mop up and Review
Oct. 7	Exam 1 (Chapters 1-4)
Oct. 9 & 14	Chapter 5: Price Levels and the Exchange Rate in the Long Run
Oct. 16, 21 & 23	Chapter 6: Output and the Exchange Rate in the Short Run
Oct. 28, 30 & Nov. 4	Chapter 7: Fixed Exchange Rates and Foreign Exchange Intervention
Nov. 6	Mop up and Review
Nov. 11	Exam 2 (Chapters 5-7)
Nov. 13, 18 & 20	Chapter 8: International Monetary Systems: An Historical Overview
Nov. 25	Chapter 10: Optimum Currency Areas and the Euro
Nov. 27	No-Class: Thanksgiving Break
Dec. 2	Chapter 10: Optimum Currency Areas and the Euro
Dec. 4 & 9	Chapter 11: Developing Countries: Growth, Crisis, and Reform
Dec. 11	Review
Dec. 15	Final Exam (Cumulative)

Final Remarks

Any questions about the syllabus must be addressed to the instructor within the first week of class.

Email policy: The best way to reach me is through email, and I do **NOT** respond to Canvas messages or the “ask instructor” function in MyLab Economics. I will do my best to respond to emails within 24 hours on a weekday, and 48 hours on a weekend, according to the following policy:

- a) I only respond to emails posing questions that can be answered in a sentence or two. For detailed questions, please see me after class or during my office hours.
- b) I do not reply to emails that request information that can be found in the announcements or the syllabus, so you should check those places first.
- c) The university policies do not allow me to discuss grades through emails – for that, please see me after class or during my office hours.

Classroom Etiquette: I value your presence in my class, and I want your classmates to feel the same way. Please do not use laptops or cell phones during lectures unless otherwise explicitly asked for by the instructor. This policy prevents disruptive behaviors such as watching movies and videos, playing games, checking sports scores, and chatting. If you use your cell phone/ laptop or have any other disruptive behaviors during the lecture, I may ask you to leave the classroom and count you as absent for that lecture.

Academic Integrity: Dishonesty of any kind is not tolerated in this course. Dishonesty includes but is not limited to, cheating, plagiarizing, fabricating information or citations, facilitating acts of academic dishonesty by others, having unauthorized possession of examinations, submitting work of another person or work previously used without informing the instructor, or tampering with academic work of other students. Students who are found to be dishonest will receive the most

severe academic sanction consistent with OU policies. The University of Oklahoma has information on its website: <https://www.ou.edu/integrity>. Be sure to read the contents of this site.

Generative AI Policy: Exams are closed book, and the use of any technology, including generative AI tools, is strictly prohibited during exams. Outside of exams, generative AI tools may be used as study aids to support learning, including assistance with assignments. However, students should be aware that such tools may produce errors and are responsible for verifying the accuracy of outputs and ensuring their own understanding. Generative AI tools should serve only as supplementary aids to facilitate learning, not as substitutes for completing assignments. Because 80% of the course grade is based on three closed-book exams, reliance on AI tools is not advised, as they cannot be used during exams.

Reasonable accommodation policy: The University of Oklahoma (OU) is committed to the goal of achieving equal educational opportunity and full educational participation for students with disabilities. If you have already established reasonable accommodations with the Accessibility and Disability Resource Center (ADRC), please log into iAdvise to request your semester accommodations as soon as possible and contact me privately, so that we have adequate time to arrange your approved academic accommodations.

If you have not yet established services through ADRC, but have a documented disability and require accommodations, please complete [ADRC's pre-registration form](#) to begin the registration process. ADRC facilitates the interactive process that establishes reasonable accommodations for students at OU. For more information on ADRC registration procedures, please review their [website](#). You may also contact them at (405)325-3852 or adrc@ou.edu, or visit www.ou.edu/adrc for more information.

Note: disabilities may include, but are not limited to, mental health, chronic health, physical, vision, hearing, learning and attention disabilities, pregnancy-related. ADRC can also support students experiencing temporary medical conditions.

University calendar: The last day to withdraw from the class and receive an automatic “W” is Friday, November 14th, 2025. You can find information (including holidays and the last day for withdrawal) about the university calendar on the webpage <https://www.ou.edu/registrar/academic-records/academic-calendars/fall-2025-academic-calendar0>.

Religious observance: It is the policy of the University to excuse the absences of students that result from religious observances and to reschedule examinations and additional required classwork that may fall on religious holidays, without penalty. [\[See Faculty Handbook 3.15.2\]](#)

Adjustments for Pregnancy/Childbirth-Related Issues: Should you need modifications or adjustments to your course requirements because of pregnancy or a pregnancy-related condition, please request modifications via the [Institutional Equity Office](#) website or call the Institutional Equity Office at 405/325-3546 as soon as possible. Also, see the Institutional Equity Office [FAQ on Pregnant and Parenting Students’ Rights](#) for answers to commonly asked questions.

Mental Health Support Services: Support is available for any student experiencing mental health issues that are impacting their academic success. Students can either be seen at the University Counseling Center (UCC) located on the second floor of Goddard Health Center or receive 24/7/365 crisis support from a licensed mental health provider through [TimelyCare](#). To schedule an appointment or receive more information about mental health resources at OU please call the UCC at 405-325-2911 or visit [University Counseling Center](#). The UCC is located at 620 Elm Ave., Room 201, Norman, OK 73019.

Title IX resources and reporting requirement: The University of Oklahoma faculty are committed to creating a safe learning environment for all members of our community, free from sex-based discrimination, including sexual harassment, domestic and dating violence, sexual assault, and stalking, in accordance with Title IX. There are resources available to those impacted,

including: speaking with someone confidentially about your options, medical attention, counseling, reporting, academic support, and safety plans. If you have (or someone you know has) experienced any form of sex-based discrimination or violence and wish to speak with someone confidentially, please contact [OU Advocates](#) (available 24/7 at 405-615-0013) or [University Counseling Center](#) (M-F 8 a.m. to 5 p.m. at 405-325-2911).

Because the University of Oklahoma is committed to the safety of you and other students, and because of our Title IX obligations, I, as well as other faculty, Graduate Assistants, and Teaching Assistants, are mandatory reporters. This means that we are obligated to report sex-based violence that has been disclosed to us to the Institutional Equity Office. This means that we are obligated to report sex-based violence that has been disclosed to us to the Institutional Equity Office. This includes disclosures that occur in: class discussion, writing assignments, discussion boards, emails and during Student/Office Hours. You may also choose to report directly to the Institutional Equity Office. After a report is filed, the Title IX Coordinator will reach out to provide resources, support, and information and the reported information will remain private. For more information regarding the University's Title IX Grievance procedures, reporting, or support measures, please visit [Institutional Equity Office](#) at 405-325-3546.

Final Exam Preparation Period: Pre-finals week will be defined as the seven calendar days before the first day of finals. Faculty may cover new course material throughout this week. For specific provisions of the policy please refer to OU's [Final Exam Preparation Period policy](#).

Emergency Protocol: During an emergency, there are official university [procedures](#) that will maximize your safety.

Severe Weather: If you receive an OU Alert to seek refuge or hear a tornado siren that signals severe weather.

1. Look for severe weather refuge location maps located inside most OU buildings near the entrances.

2. Seek refuge inside a building. Do not leave one building to seek shelter in another building that you deem safer. If outside, get into the nearest building.
3. Go to the building's severe weather refuge location. If you do not know where that is, go to the lowest level possible and seek refuge in an innermost room. Avoid outside doors and windows.
4. Get in, Get Down, Cover Up
5. Wait for official notice to resume normal activities.

Additional [Weather Safety Information](#) is available through the Department of Campus Safety.

The University of Oklahoma Active Threat Guidance: The University of Oklahoma embraces a Run, Hide, Fight strategy for active threats on campus. This strategy is well known, widely accepted, and proven to save lives. To receive emergency campus alerts, be sure to update your contact information and preferences in the account settings section at one.ou.edu.

RUN: Running away from the threat is usually the best option. If it is safe to run, run as far away from the threat as possible. Call 911 when you are in a safe location and let them know from which OU campus you're calling from and location of active threat.

HIDE: If running is not practical, the next best option is to hide. Lock and barricade all doors; turn off all lights; turn down your phone's volume; search for improvised weapons; hide behind solid objects and walls; and hide yourself completely and stay quiet. Remain in place until law enforcement arrives. Be patient and remain hidden.

FIGHT: If you are unable to run or hide, the last best option is to fight. Have one or more improvised weapons with you and be prepared to attack. Attack them when they are least expecting it and hit them where it hurts most: the face (specifically eyes, nose, and ears), the throat, the diaphragm (solar plexus), and the groin.

Please save OUPD's contact information in your phone.

NORMAN campus: *For non-emergencies call (405) 325-1717. For emergencies call (405) 325-1911 or dial 911.*

TULSA campus: *For non-emergencies call (918) 660-3900. For emergencies call (918) 660-3333 or dial 911.*

Fire Alarm/General Emergency: If you receive an OU Alert that there is danger inside or near the building, or the fire alarm inside the building activates:

1. *LEAVE* the building. Do not use the elevators.
2. *KNOW* at least two building exits
3. *ASSIST* those that may need help
4. *PROCEED* to the emergency assembly area
5. *ONCE safely outside, NOTIFY first responders of anyone that may still be inside building due to mobility issues.*
6. *WAIT* for official notice before attempting to re-enter the building.

[OU Fire Safety on Campus](#)

Office of Access and Opportunity's Belonging Statement: Why You Belong at the University of Oklahoma: The University of Oklahoma fosters an inclusive culture of respect and civility, belonging, and access, which are essential to our collective pursuit of excellence and our determination to change lives. The unique talents, perspectives, and experiences of our community enrich the learning, and working environment at OU, inspiring us to harness our innovation, creativity, and collaboration for the advancement of people everywhere.

Course Reflection Survey: You'll receive a Course Reflection Survey at the end of each semester for each course that you are enrolled in. I strongly encourage you to complete this survey. Your feedback can help me adjust my class for future semesters to help other students be successful. Your feedback is confidential and I will only receive it after final grades are due. Course Reflection

Survey results may also factor into teaching evaluations and annual performance reviews and are shared with department and program chairs.

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