Global Finance and The Multinational Corporation

Objectives:

The aim of the course is to provide an in-depth understanding of the evolution of the Multinational Corporation (MNC), an analysis of current global financial issues ‘including global imbalances, and country risk ratings; and to analyze the crucial role MNCs play in the global economy. Special emphasis will be placed on the way the modern MNC organizes its activities and how this determines their relations with other firms as to assess the impact of MNCs on the economies they operate, and to analyze the incentive mechanism of MNCs. While the course focuses on understanding the basic theory behind these issues, it also examines empirical evidence and examples of firms’ real world activities with the goal of preparing a student for a career dealing with financial decision making in an international environment.

Required textbooks:


Prerequisites: Introductory microeconomics and introductory macroeconomics.

Learning Outcomes:

Upon completing the course, students will be able to:

- Identify the current topics in the understanding of the modern MNCs
- Define the required theoretical background that will support the analysis of the contemporary MNC and review critically the existing literature
- Develop these hypotheses or research questions that will address future developments in the study of the MNC
- Understand the strategic evolution of MNCs

Week 1: Exchange Rates and the International Monetary System

Readings:

Shapiro Chapter 1

Week 2: Global Imbalances

Readings:


Blanchard, Olivier and Milesi-Ferretti Gian M., “(Why Should Current Account Balances Be Reduced?)”, IMF Staff Discussion Note, SDN/11/03, March 1, 2011.

**Week 3: Country Risk**

- Understanding the multi-faceted dimensions of cross-border risk
- Assessing the main sources of risks and opportunities arising from the growing integration of international financial markets from the firm’s standpoint;
- Apprehending the range of risk-analysis methodologies, and their respective pros and cons
- Understanding the various approaches to country risk hedging, starting with up to date reliable information and intelligence

**Readings:**

Shapiro Chapter 6.

Standard & Poor’s: Sovereign Credit Ratings: A Primer, September 2005.


**Week 4: The foreign exchange market, currency futures and options markets**

**Readings:**

Shapiro Chapters 7, 8

**Week 5-6: Foreign Direct Investment (FDI): evolution, nature and determinants**

**Readings:**

Shapiro Chapter 16.

Chapter 8: Effects of Foreign Direct Investment on Less Developed Countries: Vagaries, Variables, Negatives and Positives.


**Week 7-8: MNC and FDI**

**Readings:**


Chapter 1: A Better Approach to Understanding Foreign Direct Investment and Multinational Corporations.

Chapter 7: Where Multinational corporations Invest and Don’t Invest and Why.

Chapter 12: The Case for Foreign Direct Investment and Multinational Corporations

Chapter 13: The Case against Foreign Direct Investment and Multinational Corporations

Week 9: Midterm

Week 10: Measuring and Managing Economic Exposure
Reading.
Shapiro Chapter 10.

Week 12: International Portfolio Investment
Reading.
Shapiro Chapter 15.

Week 13: FDI and Corporate Strategy
Reading.
Shapiro Chapter 16.

Week 14: Case Study