

BA 4841/5841 – INTERNATIONAL FINANCIAL INTEGRATION

Tue and Thu 12.40-13.55 G109

<b>Instructor:</b>	Dr. İlkay ŞENDENİZ YÜNCÜ
<b>Office:</b>	FEAS Building B, H 102
<b>Phone:</b>	210 2050
<b>E-mail:</b>	<a href="mailto:sendeniz@metu.edu.tr">sendeniz@metu.edu.tr</a>
<b>Office Hours:</b>	Tuesdays: 14:00-15:30 (online and by appointment)
<b>Course Web Page:</b>	ODTUClass Course Page (please check ODTUClass and your METU email accounts regularly for the course materials, announcements and any updates).
<b>Course Description:</b>	
<p>This course aims in developing an understanding of key issues in international financial integration. We discuss determinants, measures, benefits and costs of financial integration. Impacts of financial integration on investment and external financing are among the topics of this course. Moreover, this course aims at assessing the link between financial integration and economic growth in different economies. The course intends to focus on not only the theories but also the empirics of the subjects that will be argued.</p>	
<b>Course Student Learning Objectives: (CSLOs)</b>	
<p>Upon successful completion of this course, students should be able to:</p> <p><b>Course Specific Skills:</b></p> <ol style="list-style-type: none"><li>1. Demonstrate an understanding on the notion of international financial integration.</li><li>2. Demonstrate an understanding of the financial integration and the real economy.</li><li>3. Realize the empirical support for the theory of financial integration and economic growth relationship.</li></ol> <p><b>Discipline Specific Skills:</b></p> <ol style="list-style-type: none"><li>4. Interpret the effects of international financial integration to economic growth.</li><li>5. Demonstrate broad knowledge of literature and concepts on international financial integration.</li><li>6. Understand research methodologies, analyze results and interpret empirical findings.</li></ol> <p><b>Personal and Key Skills:</b></p> <ol style="list-style-type: none"><li>7. Develop critical reading and writing skills.</li><li>8. Develop communication and presentation skills.</li><li>9. Opportunity to participate in discussions.</li></ol>	
<b>Learning and Teaching Methods:</b>	
<p>Sessions consist of a mixture of formal lectures, in-class discussions and presentation sessions.</p>	
<b>Required Reading:</b>	
<p>Listed in the course schedule section below.</p>	
<b>Suggested Reading:</b>	

Tentative Assessment and Grading:			
Form of Assessment	% Contribution	CSLOs covered by the assessment	Feedback Method
Written examination 1	35	1-7	Written
Written examination 2	35	1-7	Written
Article presentation (15 min.)	15	1-9	Oral
Article discussions and class participation	15	1-9	Oral

### Course Policies:

Students who sign up for this course should have completed BA2802 Principles of Finance course (or equivalent), and should have an understanding of algebra and statistics. Students are required to actively participate during the lecture hours. Each student is expected to be prepared for the required readings. Assigned readings will be presented by students, and there will be class discussions after presentations. Presentations will be on Thursdays. Students are not expected to discuss the details of econometrics of the assigned articles during the presentations.

There will be two written midterm examinations. There will be no final examination in this course. A re-sit exam will not be given. No "extra" work above the aforementioned will be accepted or credited.

**STUDENT DISABILITIES:** Any student, who, because of a disabling condition, may require special arrangements in order to meet course requirements, should contact the instructor as soon as possible. Students should present the appropriate documentation from the university's Disability Support Office (Engelsiz ODTÜ Birimi, ODTÜ Kütüphanesi, Solmaz İzdemir Salonu, Tel: 210.7196; engelsiz@metu.edu.tr) verifying their disability, and outlining the special arrangements required. Please note that no accommodations will be provided to the disabled students prior to the completion of this approved University process.

**ACADEMIC DISHONESTY:** The Department of Business Administration has no tolerance for acts of academic dishonesty. Such acts damage the reputation of METU, the department and the BA/MBA/MS degree and demean the honest efforts of the majority of the students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

**CHEATING:** All university, faculty/institute, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure of the course and referral of the case to the Dean of the Faculty/Institute for additional disciplinary action. Examinations are individual and are to be completed without outside assistance of any sort. Persons observed cheating during examinations will receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without outside assistance of any sort, as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

**PLAGIARISM:** The instructor assumes that students will do their own work. By placing their names on assignments (individual or team), students are affirming that the contents are their original work. Any previous work available from files or past students, as well as materials available on the internet may be used only as a suggestive model. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time. Any material used from outside sources should be referenced appropriately.

### METU HONOR CODE

Every member of METU community adopts the following honor code as one of the core principles of

academic life and strives to develop an academic environment where continuous adherence to this code is promoted.

"The members of the METU community are reliable, responsible and honorable people who embrace only the success and recognition they deserve, and act with integrity in their use, evaluation and presentation of facts, data and documents."

**CIVILITY IN THE CLASSROOM:** Students are expected to assist in maintaining a classroom environment which is conducive to learning. In order to assure that all students have an opportunity to gain from time spent in class, students are prohibited from making offensive remarks, reading newspapers, sleeping, or engaging in any other form of distraction. Inappropriate behavior in classroom shall result, minimally, in a request to leave class.

Past observations showed that the METU classroom experience is improved when the following are true:

**Students arrive on time.** Timely arrival ensures that classes are able to start and finish at the scheduled times. Timely arrival shows respect for both fellow students and faculty and it helps to create a better learning environment by reducing avoidable distractions.

**Students are fully prepared for each class.** Much of the learning in this course takes place during classroom discussions. When students are not prepared, they cannot contribute to the learning process. This affects not only the individual but also the classmates who count on them.

**Students respect the views and opinions of their colleagues.** Disagreement and debate are encouraged; however, intolerance for the views of others is unacceptable.

**STUDENT EXCUSES:** In case you cannot attend one of the examinations, **if and only if you can present an official (dean's or president's office approved) excuse or METU Medical Center certified Health Report, you will be eligible to take a make-up examination.** There will be one single, comprehensive make-up examination during the final period and it will be counted towards whichever exam(s) you are missing.

KNOW YOUR RIGHTS AND RESPONSIBILITIES! <http://oidb.metu.edu.tr/en/academic-rules-and-regulations>

NOTE THE IMPORTANT DATES ON THE ACADEMIC CALENDAR!

<http://oidb.metu.edu.tr/en/academiccalendar>

The instructor assumes that students who attend the next class have understood and accepted to agree with all the requirements and rules of this course.

The following table gives the **tentative** schedule for the semester (**subject to change**). The lectures will stress the most important material.

Tentative Course Schedule			
Date	Topic	Reading/ Assignment	CSLO
Week 1	Introduction to Financial Integration		1-9
Week 2	International Financial Integration		1-9
Week 3	Benefits of Financial Integration		1-9
Week 4	Costs of Financial Integration	Von Furstenberg (1998). "From Worldwide Capital Mobility to International Financial Integration: A Review Essay", Open Economies Review, vol. 9, pp. 53-89.	1-9

Week 5	Preconditions and Determinants of Financial Integration	Vinh Vo, Daly (2007). "The determinants of international financial integration", Global Finance Journal, Vol.18, Issue.2, pp.228-250.	1-9
Week 6	<b>Written Exam 1 (March 26<sup>th</sup>, Tuesday)</b> Measures of Financial Integration	Agenor (2003). "Benefits and Costs of International Financial Integration: Theory and Facts", World Economy, vol. 26, no. 8, pp. 1089-1118.	1-9 1-7
Week 7	Measures of Financial Integration (Cont'd)	Quinn, Schindler, Toyoda (2011). "Assessing Measures of Financial Openness and Integration", IMF Economic Review, Vol.59, No.3, pp. 488-522.	1-9
Week 8	<b>Religious Holiday</b>		
Week 9	Financial Integration and Economic Performance	Edison, Levine, Ricci, Slok (2002). "International Financial Integration and Economic Growth", Journal of International Money and Finance 21: 749-776.	1-9
Week 10	<b>National Holiday (Tuesday)</b> Financial Integration and Economic Performance (Cont'd)		1-9
Week 11	Strategy and Financial Integration	Gianetti, Guiso, Jappelli, Padula, Pagano (2002). "Financial Market Integration, Corporate Financing and Economic Growth", European Commission Economic Papers No. 179, Brussels.	1-9
Week 12	Impact of Financial Integration on Investment and External Financing	Giannetti, Ongena (2012). "Lending by example": Direct and indirect effects of foreign banks in emerging markets, Journal of International Economics, 167-180.	1-9
Week 13	Impact of Financial Integration on Investment and External Financing (Cont'd)	Clarke, Cull, Peria (2001). "Does foreign bank penetration reduce access to credit in developing countries? Evidence from asking borrowers", Development Research Group, The World Bank.	1-9
Week 14	Empirical Applications for Financial Integration	Kose, Prasad, Terrones (2003). "Financial Integration and Macroeconomic Volatility", IMF Working Paper.	1-9
Week 15	<b>Written Exam 2 (May 28<sup>th</sup>, Tuesday)</b>	Schindler (2009). "Measuring Financial Integration: A New Data Set", IMF Staff Papers, Vol. 56, No. 1.	1-9 1-7