



International Finance | ECP77634

Year	1
ECTS Credits	5
Contact Hours	8 hours of lectures and 3 hours of tutorials
Pre-Requisite	Nil
Semester	2
Module Leader and Lecturer	Professor Agustin Benetrix
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Module Outline:

The primary aim of this module is to introduce the key building blocks of international financial globalisation through a rigorous empirical perspective. The module is designed to provide students with the tools to measure financial transactions between countries, explaining the mechanics of the international system of financial flows. A central focus is placed on the relationship between these transactions and national income and wealth, specifically through the lens of the Balance of Payments (BOP) and the Net International Investment Position (NIIP). Beyond basic accounting, the module aims to explore the macroeconomic impact of global financial integration, including the sustainability of global imbalances and the role of the valuation channel, where fluctuations in exchange rates and asset prices cause significant wealth reallocations across borders. Furthermore, the module addresses modern analytical challenges, such as the impact of offshore financial centers (tax havens) on financial statistics and the need to move beyond traditional "locational" data toward a consolidated balance sheet approach based on nationality and ownership.

Module Learning Outcomes:

1. Analyse the evolution of a country's external wealth by utilising the Balance of Payments (BOP) identity. Students will further differentiate between financial flows and valuation effects as drivers of a nation's Net International Investment Position (NIIP).
2. Evaluate the macroeconomic impact of the valuation channel and currency exposures, specifically how fluctuations in exchange rates and asset prices cause significant reallocations of wealth across borders and how "long" or "short" foreign currency positions can act as shock absorbers or amplifiers for the economy.
3. Critically assess modern measurement challenges in international finance, such as the distortionary impact of offshore financial centers (tax havens) on global statistics and the necessity of moving beyond traditional "locational" residency data toward a consolidated "nationality" approach based on ownership and multinational corporate balance sheets.

Assessment:

Assessment comprises 30% continuous assessment and a 70% final exam. Reassessment comprises a supplemental exam worth 100%.

Recommended Reading List:

- Lane, Philip R. Milesi-Ferretti, Gian Maria (2007) "The external wealth of nations mark II: Revised and extended estimates of foreign assets and liabilities, 1970-2004," *Journal of International Economics*, vol. 73(2), pages 223-250, November.
- Philip R. Lane Gian Maria Milesi-Ferretti (2018) "The External Wealth of Nations Revisited: International Financial Integration in the Aftermath of the Global Financial Crisis," *IMF Economic Review*, vol. 66(1), pages 189-222, March.
- Milesi-Ferretti (2025) External Wealth of Nations complete update
- Lane and Milesi-Ferretti (2012), "External Adjustment and the global Crisis," *Journal of International Economics*
- Lane and Milesi-Ferretti (2014), "Global Imbalances and External Adjustment after the Crisis"
- Lane and Milesi-Ferretti (2005), "A Global Perspective on External Positions"
- Bénétrix (2009), "The Anatomy of Large Valuation Episodes," *Review of World Economics*
- Lane and Shambaugh (2010) "The long or short of it: Determinants of foreign currency exposure in external balance sheets," *Journal of International Economics*, Elsevier, vol. 80(1), pages 33-44
- Bénétrix, Lane and Shambaugh (2015), "International currency exposures, valuation effects and the global financial crisis," *Journal of International Economics*, Volume 96, Supplement 1, July 2015, Pages S98-S109
- Bénétrix, Gautam, Juvenal and Schmitz (2019) "Cross-Border Currency Exposures. New evidence based on an enhanced and updated dataset," *IMF Working papers*
- Bénétrix, Demirölmez and Schmitz (2024), "The Shock Absorbing Role of Cross-border Investments: Net Positions Versus Currency Composition," *Open Economies Review*, Volume 35, pages 363–394
- Avdjiev, McCauley and Shin (2016) "Breaking free of the triple coincidence in international finance," *Economic Policy*
- Bénétrix, Emter and Schmitz (2024) "Automatic for the (tax) people: information sharing and cross-border investment in tax havens," *Economic Policy* v39
- Bénétrix and Curran (2024), "Uncertainty Shocks and the Cross-border funding of banks: Unmasking Heterogeneity," *Journal of Money Credit and Banking*, September 2025.