

International Finance

Economics 339L–Fall 2004

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Course Description

This course addresses the macro-economic problems of countries in an international setting and the financial interactions among these countries. It will cover topics such as balance of payments, current account, exchange rates, exchange rate policy, macroeconomic policy in the world economy, evolution of the international monetary system, liberalization of capital markets, financial crises, and the European monetary union.

Prerequisite for the Course

Familiarity with intermediate macro and microeconomics.

Readings

The main textbook is *International Economics: Theory and Policy*, Paul Krugman and Maurice Obstfeld (2003).

This course covers only Parts III (Exchange Rates and Open Macroeconomics) and IV (International Macroeconomic Policy) of this text. There are 11 chapters in these two parts

and we will approximately cover one chapter in each week.

Supplementary Readings: Agénor and Montiel (1999), Bhagwati (2004), Cooper (2000) and (2001), Edwards (1995), Eichengreen (1996), (1998), and (2002), Goldstein (1998), McKinnon (2001), Krugman (2000), Mussa (2002), Obstfeld (1998), Posen (2000), and Stiglitz (2002).

Homework

There will be weekly problem sets. You are encouraged to discuss the problems together with your classmate, but you should submit your own solutions (cheating will be treated very seriously). Your solutions will be graded on a scale of check plus (10), check (7), check minus (4), or zero, and your homework will be 15% of your overall grade. Problem sets have to be handed in class on due date. Late homework will not be accepted.

Exams

There will be two exams, a midterm and a final. Make up exam will not be given, unless you document your excuses. The midterm will cover chapters 12-17 (Part III of the textbook) and will be given on Thursday, October 14 and the final exam will cover the entire course and will be given in December. The midterm will be 35% and the final will be 50% of your overall grade.

Other Sources

1. “*Monthly Bulletin*,” European Central Bank
2. “*Federal Reserve Bulletin*,” Federal Reserve Board
3. “*Balance of Payments Statistics Yearbook*,” International Monetary Fund
4. “*International Financial Statistics*,” International Monetary Fund
5. “*World Economic Outlook*,” International Monetary Fund
6. “*OECD Economic Outlook*,” Organization for Economic Cooperation and Development (OECD)

7. “*International Direct Investment Statistics Yearbook*,” OECD
8. “*Annual World Development Report*,” World Bank
9. “*Annual World Debt Tables*,” World Bank

References

- Agénor, Pierre-Richard and Peter Montiel, *Development Macroeconomics*, New Jersey, NJ: Princeton University Press, 1999.
- Bhagwati, Jagdish, *In defense of Globalization*, New York, NY: Oxford University Press, 2004.
- Cooper, Richard N., “Exchange Rate Choices,” in Jane S. Little and P. Olivei Giovanni, eds., *Rethinking the International Monetary System*, Federal Reserve Bank of Boston, 2000.
- , “Is the US Current Account Deficit Sustainable?,” *Brooking Papers on Economic Activity*, 2001, 1.
- Edwards, Sebastian, *Crisis and Reform in Latin America: From Despair to Hope*, New York, NY: Oxford University Press, 1995.
- Eichengreen, Bary, *Globalizing Capital: A History of the International Monetary System*, New Jersey, NJ: Princeton University Press, 1996.
- , *Capital Account Liberalization: Theoretical and Practical Aspects*, Washington, DC: International Monetary Fund, 1998.
- , *Financial Crisis and What to Do About Them*, New York, NY: Oxford University Press, 2002.
- Goldstein, Morris, *The Asian Financial Crisis: Causes, Cures, and Systematic Implications*, Washington, DC: Institute for International Economics, 1998.
- Krugman, Paul R., *The Return of Depression Economics*, New York, NY: WW Norton, 2000.

— and Maurice Obstfeld, *International Economics: Theory and Practice*, Boston, MA: Addison Wesley, 2003.

McKinnon, Ronald I., “The International Dollar Standard and the Sustainability of the US Current Account Deficit,” *Brookings Papers on Economic Activity*, 2001, pp. 227–39.

Mussa, Michael, *Argentina and the Fund: From Triumph to Tragedy*, Washington, DC: Institute for International Economics, 2002.

Posen, Adam, *Restoring Japan's Economic Growth*, New York, NY: Institute for International Economics, 2000.

Stiglitz, Joseph E., *Globalization and Its Discontents*, New York, NY: Norton Company, 2002.