

Econ 284: International Finance Spring 2010

Instructor: Mina Kim
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Office hours: By appointment
No class: Feb 11
Make-up class: TBD

Syllabus

I. Course Description

This course presents macroeconomic theory in an open economy setting and applies it towards gaining an understanding of recent events and current policy issues. It begins with the analysis of national income accounts and the balance of payments. It continues with the analysis of flexible exchange rate regimes and the effects of fiscal and monetary policies on the exchange rate and economic activity. Afterwards, it examines fixed exchange rate regimes. The insights provided by these theoretical frameworks will enable us to discuss topics such as proposed changes in the international financial architecture, the single currency in Europe, the Asian financial crisis, government intervention in the foreign exchange market, and the role of international factors on a nation's employment, wages and economic performance.

The objective of the course is to become and remain informed about policy issues related to international finance and, even more importantly, to acquire the ability to think about complex issues in a logical objective manner.

II. Text

Paul Krugman and Maurice Obstfeld, *International Economics: Theory and Policy*, Harper Collins College Publishers, 8th. edition, 2009. Previous editions are acceptable.

Additional readings will be assigned in class.

III. Grading/Exams:

Grades will be largely determined by two written assignments and a comprehensive final. You will be given problem sets that will be instrumental in your preparation for the final.

Specifically, grades will be determined as follows:

Policy memo I 30%
Policy memo II 30%
Participation 10%
Final Exam 30%

Course Outline

I. Introduction

- a. National Income Accounting and the Balance of Payments – Ch 12
- b. Exchange Rates and the Foreign Exchange Market – Ch 13

II. Floating Exchange Rates

- a. Exchange Rates, Interest Rates, and Interest Parity – Ch 13
- b. Money, Interest Rates, and Exchange Rates – Ch 14
- c. Output and Exchange Rates – Ch 16
- d. Exchange Rates in the Long Run – Ch 15, 16

III. Fixed Exchange Rates – Ch 17

IV. Financial Crises – Ch 17

V. Fixed versus Flexible Exchange Rates

- a. International Monetary System – Ch 18
- b. Macroeconomic Policy and Coordination – Ch 19

Final Exam – May 7th

If you need accommodations for religious reasons, then please notify me during the first week of the semester.