

Johns Hopkins University
Zanvyl Krieger School of Arts and Sciences
Graduate Programs in Applied Economics
Syllabus for International Finance (440.619.51)
Spring 2007

Main Information

Instructor: Fabio Natalucci
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Class time: Wednesday (January 24 – April 25), 6pm – 8:45pm

Course Description

This course looks at open-economy macroeconomic issues and policies affecting nations. We will start by learning the principles of national income and balance of payments accounting. After that, we will look at the markets for good and services, and money and assets. Bringing these two sides of the economy together, we build a short-run model of the open-economy. We will use versions of this model to look at topics such as international portfolio diversification, financial crises, international policy coordination, the effects of different exchange regimes, and the international monetary system.

Grading

<u>Assignment</u>	<u>Weight</u>
Participation:	10%
Paper:	20%
Class Presentation:	20%
Final:	50%

There will be no make-up exams without a legitimate excuse.

Final Exam: The exam will be in class and closed book. The exam will consist of short essay, longer essay, and short problems type questions.

Paper: Write a short memo on an assigned topic. I expect you to outline your point of view and defend it. The paper should be 5 pages maximum (shorter is O.K.), in New Times Roman 12 point font, with 1 inch margins, and 1.5 line spacing.

Class Presentation: Group presentation on an assigned topic.

Reading Material

Readings will be assigned throughout the semester.

The Textbook: Paul Krugman and Maurice Obstfeld, *International Economics: Theory and Policy*, Addison, Wesley, Seventh Edition, 2006.

You will also find that it is useful to keep abreast of current events. Try the following places: New York Times, Wall Street Journal, Financial Times (www.ft.com) and the Economist (www.economist.com), the Organisation for Economic Cooperation and Development (www.oecd.org) and the International Monetary Fund (www.imf.org).

National Income Accounting and the Balance of Payments

Exchange Rates and the Foreign Exchange Market: An Asset Approach

Money, Interest Rates, and Exchange Rates

Price Levels and the Exchange Rate in the Long Run

Output and the Exchange Rate in the Short Run

Fixed Exchange Rates and Foreign Exchange Intervention

The International Monetary System

- Eichengreen, Barry (1996), *Globalizing Capital: A History of the International Monetary System*, Princeton University Press, Princeton, NJ.
- Taylor, Alan (2004), "Global Finance: Past and Present," Finance and Development, International Monetary Fund, March.

Macroeconomic Policy and Coordination under Floating Exchange Rates

Alternative Exchange Rate Arrangements

- Obstfeld M. and K. Rogoff (1995), "The Mirage of Fixed Exchange Rates," *Journal of Economic Perspectives*, Vol 9, pages 73-96.
- Calvo, G. and F. Mishkin (2003), "The Mirage of Exchange Rate Regimes for Emerging Market Countries," *Journal of Economic Perspectives*, Vol. 17, pages 99-118.
- Fischer, Stanley (2001), "Exchange Rate Regimes -- Is the Bipolar View Correct?" *Journal of Economic Perspectives*, Vol 15, pages 3-24.

Financial Crises and Speculative Attacks

- Rogoff, Kenneth (1999), "International Institutions for Reducing Global Financial Instability," *Journal of Economic Perspectives*, Fall, pages 21-42.
- Krugman, Paul (1999), "Analytical Afterthoughts on the Asian Crisis," photocopy, September.

- Flood, R. and P. Garber (1984), "Collapsing Exchange-Rate Regimes. Some Linear Examples," *Journal of International Economics*, 17, pages 1-13.
- Sachs, J., A. Tornell and A. Velasco (1996), "The Mexican Peso Crisis: Sudden Death or Death Foretold?" *Journal of International Economics*, 41, pages 265-283.
- Krugman, Paul (1999), "Balance Sheets, the Transfer Problem, and Financial Crises," photocopy.

Inflation targeting

- Svensson, L.E.O. (1996), "Commentary: How Should Monetary Policy Respond to Shocks While Maintaining Long-Run Price Stability? Conceptual Issues" in *Achieving Price Stability, a Symposium sponsored by the Federal Reserve Bank of Kansas City at Jackson Hole, Wyoming, August 29-31, 1996.*

Optimal Currency Areas and the European Experience

Integration of International Financial Markets

- Bhagwati, J., A. Panagariya, and T.N. Srinivasan (2004), "The Muddles over Outsourcing," *Journal of Economic Perspectives*, Fall, pages 93-114.