

**GEORGE WASHINGTON UNIVERSITY**  
**Department of Economics**  
**International Finance: Economics 284, Spring 2007**

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Office Hours: Tuesdays, 2:30-4:30pm

**Syllabus**

**I. Course Description**

The program of this course emphasizes macroeconomic issues and policies in an open-economy setting. 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. It concludes with a variety of topics in international finance, such as currency crises, international capital flow volatility, and the history of the international monetary system.

**II. Reading Material**

1. Paul Krugman and Maurice Obstfeld, *International Economics: Theory and Policy*, Harper Collins College Publishers, 7th. edition, 2005.
2. *Wall Street Journal*.

**III. Important Dates**

**Midterm:** March 6, 7:00-9:00pm

**Final:** May 8, 7:00-9:00pm

**IV. Problem Sets and Exchange-Rate Reports**

There will be 4 problem sets, two before the midterm and the rest before the final. While problem sets are not required, it is advisable for students to do the problem sets so as to be prepared for the exams. There will also be 4 reports on exchange rates based on readings from the Wall Street Journal. These reports will be group reports and will be graded.

**V. Basis of Grades**

The course grade will be based on: the midterm (35%), the final exam (45%), and exchange-rate reports (20%).

## Reading List

### I. Definitions

K&O Chapters 12 and 13.

### II. Floating Exchange Rates

K&O Chapters 13, 14, and 16.

King, M, 2004, "The Institutions of Monetary Policy," in <http://www.bankofengland.co.uk/publications/speeches/speaker.htm#king>

### III. Fixed Exchange Rates

K&O Chapter 17.

### IV. Financial Crises

Kaminsky, G. and C. Reinhart, "The Twin Crises: The Causes of Banking and Balance-of-Payments Problems," *American Economic Review*, June 1999.

### V. Emerging Markets Problems

K&O Chapter 22, pages 609-633.

Reinhart, C. and Reinhart, V., "Some Lessons for Policy Makers Dealing with the Mixed Blessing of Capital Inflows," in *Capital Flows and Financial Crises*, M. Kahler, ed (New York: Council on Foreign Relations, 1998), pages 93-127.  
Also in <http://www.puaf.umd.edu/faculty/papers/reinhart/reinhart.htm>.

Calvo, G. , L. Leiderman, and C. Reinhart, 1996, "Inflows of Capital to Developing Countries in the 1990s," *The Journal of Economic Perspectives*, Vol. 10, No. 2, Spring, 123-139.

### VI. Fixed versus Flexible

K&O Chapter 18: pages 491-501 and 507-510

K&O Chapter 19