Objectives

The last decade has seen dramatic events in the international monetary system: the Asian Financial crisis and its knock-on effects to Russia and Brazil; the Argentine debt crisis; the formation and enlargement of a single European currency area; and, related to these events, continual calls for a "new international financial architecture". The goal of this course is to provide students with a set of tools to understand these international phenomena.

This course will start by looking at the balance-of-payments accounts and the foreign-exchange market. Next, it will ask how international transactions affect macroeconomic behavior and the functioning of monetary and fiscal policies. Thereafter, it will examine how policy outcomes differ under fixed and floating exchange rates. Finally it will focus on current policy problems, such as the sustainability of the U.S. current account deficit, implications of the Euro, currency-crises in developed and emerging-market countries and the role of the International Monetary Fund.

Prerequisites and Requirements

Students should complete Economics 300 (Intermediate Economics: Macro Analysis) before they take this course. In special cases and with the instructor’s permission, it may be taken concurrently with Economics 300.

There will be one midterm and one final examination. The material covered in the exams will be cumulative. The midterm and final exams must be taken at the dates and times given in the schedule below. Except for medical emergency, I will not schedule makeup exams.
This is an official oral communication course. Students are thus required to participate in three oral assignments throughout the term to develop your understanding of the material and to refine your ability of expressing it orally. Guidelines and feedback will be provided throughout the term.

The course grade will be based on these weights:

- Oral assignments ……………………….. 40%
- Final examination ……………………….. 30%
- Midterm examination …………………… 20%
- Class Participation …………………….. 10%

Grades are based on the +/- grading system.

Students who may need special consideration because of any sort of disability should make an appointment with me immediately.

Readings


A number of supplementary readings will also be assigned to students for oral presentations and class discussion. The supplementary readings will be made available on my website at [www2.hawaii.edu/~asschea/ECON461.htm](http://www2.hawaii.edu/~asschea/ECON461.htm) Students are responsible for all assigned textbook readings, supplementary readings, and the content of lectures and class presentations.

Students are strongly encouraged to keep abreast of news in the area by reading the business section of leading national newspapers such as *The Wall Street Journal, The Financial Times* and/or *The Economist* on a regular basis.

Oral Assignments

Each student will participate in three oral communication assignments. First, each student is required to present an assigned article in class (10%). Second, each student will individually discuss a midterm question (10%). Third, each student will actively participate in a panel during the symposia that will be organized at the end of the term (10%).

Class Participation

I will conduct class in an informal lecture and discussion format. I expect you to attend class and to participate in class discussion. I will call on students by name regularly to discuss readings, presentations and lecture topics.
Tentative Course Outline

The following is a plan of the course. Chapter references for Paul Krugman and Maurice Obstfeld, *International Economics: Theory and Policy*, 6th ed., Addison-Wesley, 2003 are in brackets. Note that topics and dates can be changed without notice.

05/24 - Introduction to International Monetary Theory and Course Overview (Chapter 1)

05/25 - National Income Accounting and the Balance of Payments (Chapter 12)

05/26 – Current Account Sustainability (Chapter 18)

05/27 – Asset Markets and Exchange Rates (Chapter 13)

05/28 – Asset Markets and Exchange Rates (Chapter 13)

05/31 – *Presentation Series on Current Account*

06/01 – Money, Interest Rates and Exchange Rates (Chapter 14)

06/02 – Money, Interest Rates and Exchange Rates (Chapter 14)

06/03 – Prices and Long-Run Exchange Rates (Chapter 15)

06/04 – Real Exchange Rate (Chapter 15)

06/07 – *Presentation Series on Exchange Rates*

06/08 – Output and the Exchange Rate in the Short-Run (Chapter 16)

06/09 – Output and the Exchange Rate in the Short-Run (Chapter 16)

06/10 – Review Session

06/11 – Holiday: Kamehameha Day

06/14 – **Midterm covering chapters 12-16**

06/15 – Fixed Exchange Rates and Foreign Exchange Intervention (Chapter 17)

06/16 – Fixed Exchange Rates and Foreign Exchange Intervention (Chapter 17)

06/17 – Macroeconomic Policy and Coordination (Chapter 19)
06/18 – Macroeconomic Policy and Coordination (Chapter 19)

06/21 – Presentation Series on Output and Exchange Rate in the Short-Run

06/22 – Second oral exercise

06/23 – The Theory of Currency Crises (Chapter 18, Chapter 22)

06/24 – The Theory of Currency Crises (Chapter 18, Chapter 22)

06/25 – Symposium I: Is the U.S. Current Account Deficit Sustainable?

06/28 – Symposium II: Is the Euro-Zone an Optimum Currency Area?

06/29 – Symposium III: What Caused the Asian Financial Crisis?

06/30 – Symposium IV: Globalization and its Discontents

07/01 – review session

07/02 – Final exam covering chapters 12-22