

National Taiwan University
College of Management
704 32700
International Finance

Spring 2011
Room 815

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1. Textbook

We will use *International Economics: Theory and Policy*, by Paul R. Krugman and Maurice Obstfeld, 8th edition, 2009 (KO).

2. Grading

Grades for this course will be determined as follows:

Mid-term 1/2

Final 1/2

However, I reserve the right to subjectively adjust your final grade.

3. Syllabus

I. Basic Concepts: Macroeconomic definitions and issues

1. National Income Accounting and the Balance of Payments (KO, Ch. 12)
 - ✧ Obstfeld, Maurice and Kenneth Rogoff (2005). "The Unsustainable US Current Account Position Revisited." *Current Account Imbalances: Sustainability and Adjustment*.
 - ✧ Feldstein, Martin (2008), "Resolving the Global Imbalance: The Dollar and the U.S. Saving Rate," *Journal of Economic Perspectives* 22(3): 113-125.

II. Floating Exchange Rates: Money, Interest Rates, Prices, and Output

2. An Asset Approach to the Foreign Exchange Market (KO, Ch. 13)
 - ✧ Federal Reserve Bank of New York. The Basics of Foreign Trade and Exchange. At <http://www.ny.frb.org/education/fx/index.html>.
3. Money Market and Exchange Rates (KO, Ch. 14)
 - ✧ Dornbusch, R. (1976), "Expectations and Exchange Rate Dynamics," *Journal of Political Economy* **84**, 1161-1176.
4. Price Levels and the Exchange Rate in the Long Run (KO, Ch. 15)
 - ✧ "The Big Mac Index," *The Economist*, Feb 4th 2009.
 - ✧ Taylor, A. M. and M. P. Taylor (2004), "The Purchasing Power Parity Debate," *Journal of Economic Perspectives*, **18**, 135-58.

Midterm (TBA)

5. Output and the Exchange Rate in the Short Run (KO, Ch. 16)
 - ✧ “A Stimulating Debate: How Should Fiscal Policy Be Used to Support a Slumping Economy?” *The Economist*, Oct 25, 2001.
 - ✧ Obstfeld, M. (2001). “International Macroeconomics: Beyond the Mundell Flemming Model,” *IMF Staff Papers*, **47**, 1-39.

III. Fixed Exchange Rates and Devaluation Policies

6. Fixed Exchange Rate and Intervention (KO, Ch. 17)
 - ✧ “Intervention: Divine or Comic?” *The Economist*, Sep 23, 2000.
 - ✧ Calvo, G. A. and Reinhart, C. M. (2002). “Fear of Floating,” *Quarterly Journal of Economics* **117**, 379-408.

IV. International Monetary System and Its Institutions

7. The International Monetary System (KO, Ch. 18)
 - ✧ “Fix or Float?” *The Economist*, Sep 11, 2003.
 - ✧ Eichengreen, Barry (2004). “Global imbalances and the lessons of Bretton Woods. NBER Working Paper 10497..

V. Alternative Exchange Rate Regimes

8. International Policy Coordination (KO, Ch. 19)
 - ✧ “Economic focus: currency competition,” *The Economist*, Oct 1, 2005.
 - ✧ Dooley, Michael P., David Folkerts-Landau, and Peter Garber (2003). An essay on the revived Bretton Woods system. NBER Working Paper 9971.

VI. International Financial Markets: How Integrated Are They?

9. International Capital Market (KO, Ch. 21)
 - ✧ “Economic focus: a remedy for financial instability,” *The Economist*, April 17, 2004.
 - ✧ Mishkin, Frederic S. (1999) “Global financial instability: framework, events, issues.” *Journal of Economic Perspectives* 13(4): 3—20..

VII. Financial Crises, Speculative Attacks, and Contagion

10. Developing Countries: Growth, Crisis and Reform (KO, Ch. 22) and Appendices 1 and 2 to Chapter 17
 - ✧ “Economic focus: to give or to forgive,” *The Economist*, June 18, 2005.
 - ✧ Arslanalp, Serkan, and Peter Blair Henry (2006) “Policy watch: debt relief.” *Journal of Economic Perspectives* 20(1): 207—220.
 - ✧ Reinhart, Carmen and Kenneth Rogoff (2008) “The Aftermath of Financial Crises.” Working Paper.

Final (TBA)