I. Course Title: INBU 8170 - International Finance

Credits: 3

Prerequisites: None

II. Course Description

Analysis of the managerial and financial environment in an open-economy microeconomics Exam of the inherent financial and country risk in international business and Finances, Description of problems upon implementing corporate financial principles in other countries and financial aspects of the relationship between the home enterprise and the subsidiary.

III. General and Specifics Objectives

1. Develop an in-depth analysis of open-economy macroeconomics in the context of international business and Finances.

   1.1 Analyze balance of payments accounting
   1.2 Apply a theoretical and empirical framework for study and research of open-economy macro economies with applications to international business Finances.
   1.3 Appraise international monetary problems and policies
   1.4 Analyze how various international monetary systems work

2. Explain and compare the different kinds of exchange rate regimes in a small open economy country.

   2.1 Compare the different kinds of exchange rates in the economy
   2.2 Analyze the working of institutions of the international financial markets and its influence upon small-open economy countries.

3. Examine what causes exchange rate to fluctuate the way they do in a flexible rate system.

   3.1 Compare and contrast the working of various exchange rate regimes
   3.2 Contrast the working of various exchange rate regimes
4. Formulate and describe the stabilization and policies analyses pursued by countries.

4.1 Analyze how various international monetary systems work.

4.2 Develop models of monetary policies with complexity and reality applied to international Finances problems.

IV. Evaluation Process

The course grade will be based on these weights:
- Mid-term exam.................................................20%
- Term Paper..................................................30%
- Problems sets...............................................20%
- Final Exam (comprehensive).........................30%

V. Principal Texts


Others References:


VI. Course Outline

Contents

A. Introduction

Readings


Lucio Sarno, “Toward a new Paradigm in Open Macroeconomy Modeling: Where do we Stand?” Federal Reserve bank of St. Louis, May-June, 2001


B. Balance of Payments and National Income Accounting

Topics

1. The National Income Accounts for an Open Economy
   a. Accounting Identities
   b. The current account and foreign indebtedness
   c. Role of private and public saving
   d. Balance of Payments Accounting

Readings


C. The International Financial System and Determination of Exchange Rates

Topics

   a. Money, Interest Rates, and Exchange Rates
   b. Price Levels and the Exchange Rate in the Long Run
   c. Output and Exchange Rate in the Short Run
   d. Fixed Exchange Rates and Foreign Exchange Intervention

2. The International Monetary System, 1870-1973

3. Macroeconomics Policy and Coordination Under Floating Exchange Rates
   a. Optimum Currency Areas and European Experience
   b. Global Capital Market Performance and Policy Problems

Readings

*Paul Krugman and Maurice Obstfeld, International Economy: Theory and Policy, chapters 12-21


Maurice Obstfeld and Kenneth Rogoff, 1996, Foundations of International Macroeconomics (MIT Press), Chapter 0, 1-92


D. Stabilization and Policy Analysis


*Obstfeld and Rogoff (OR) Chapter (section 5).


Duarte, Margarida, and Maurice Obstfeld, “Monetary Policy in the Open Economy, Revisited: The Case for Exchange-Rate Flexibility Restored,” manuscript, October, 2004.

Gali, Jordi and Tommaso Monacelli, (2005)’ “Monetary Policy and Exchange Rate Variability in a Small Open Economy,” Review of Economic Studies. “.


E. Sovereign Debt, Capital Flows, and Capital Flight

Readings


Rose, Andrew and Mark Spiegel (2002), “A gravity model of sovereign lending: Trade, default and credit.” *NBER Working paper 9285*


### F. Money and Exchange Rates under Flexible and Fixed Prices

**Readings**


G. Financial and Balance of Payments Crises

Readings


Obsfeld, Maurice, “Models of Currency Crises with Self-fulfilling Features,” NBER (also available on his website).


Revised by Félix Cué, Ph.D.
February, 2008