Objectives: The goal of this course is to develop some tools for the analysis of the determinants of international capital movements, trade imbalances, exchange rates and their effects on national output and inflation. First, we will analyze data and theories of exchange rate determination. Second, we will study the balance of payments, with special focus on the trade balance and how the balance of payments is related to a country’s long run growth and short run economic fluctuations. We will conclude with applied topics in international macroeconomics, such as exchange rate regimes, crisis, and monetary unions.

Prerequisites: The course will be taught at the intermediate level. Prerequisites are intermediate microeconomics (100 or 104) and intermediate macroeconomics (101 or 105).


Web page: For lecture outlines, homework assignments, solution keys, calendar of due dates and more you should check:


Grading: The course grade is based on 4 homework assignments and a final exam. The overall grade will be computed as 16% homework + 84% final exam.

The final exam is scheduled for September 12, 2007, in class. No makeup exams will be given.

Topics outline (tentative):

1. Introduction to exchange rates (FT chapter 13)
2. The monetary approach to exchange rates (FT chapter 14)
3. The asset approach to exchange rates (FT chapter 15)
4. National and international accounts (FT chapter 16)
5. The gains from globalization (FT chapter 17)
6. Macroeconomic policies (FT chapter 18)
7. History of the international monetary system (FT chapter 19)
8. Currency crises (FT chapter 20)
9. European monetary union (FT chapter 21)