

**BOSTON COLLEGE
DEPARTMENT OF ECONOMICS**

EC372.01
International Finance
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Fall 2001
Office: Carney 243
Office Hours:
Tues. 12:30-1:30,
Thurs. 4: 15-5: 15 &
by appointment

A. Required Readings:

Robert M. Dunn and John H. Mutti, International Economics. Routledge, 5th. Ed. New York, 2000.

Gary Clyde Hufbauer and Kimberly Ann Elliot, Measuring the Costs of Protection in the United States. Institute for International Economics, Washington DC., 1994.

Kathryn M. Dominguez and Jeffrey A. Frankel, Does Foreign Exchange Intervention Work? Institute for International Economics, Washington DC., 1993.

Wall Street Journal

B. Exams and Grading:

There will be two exams; a mid-term with a weight of 30% and a final accounting for 40% of the total grade. You are required to work on a number of assignments and a research project and presentation which will account for 20% of your total grade. Since student participation in class discussions is an important part of this course and the learning process, the remaining 10% will be assigned to your class preparedness and participation in discussions. "Make-up" or early exams will not be given. Exam dates: Midterm to be announced in class and the final is scheduled by the Registrar's Office.

C. Reading Schedule:

1. Introduction to the Mechanism of International Payments

2. Exchange Rates & Foreign Exchange Markets

- a. Flexible and Fixed Exchange Rate Systems
- b. Arbitrage
- c. Elasticity of Demand and Supply
- d. Marshall-Lerner Condition
- e. Forward and Spot Exchange Rates

Dunn and Mutti, Chapters 12, 13 and 14. And Gary Clyde Hufbauer and Kimberly Ann Elliot, Measuring the Costs of Protection in the United States. Institute for International Economics, Washington DC., 1994.

3. Exchange Rates and the Balance of Payments

- a. Flexible Exchange Rates
- b. Fixed Exchange Rates and the Gold Standard

Dunn and Mutti, Chapters 15, 16 and 17. Dominguez and Frankel, Chapters 1-7.

4. International Monetary Experience

- a. the Gold Standard
- b. Fixed Exchange Rates and the Gold Standard
- c. Bretton Woods System
- 4. International Monetary Experience (continued)

- d. the Eurocurrency Market and Eurodollar
- e. Recent Developments of International Monetary System

Anna J. Schwartz, Alternative Monetary Regimes: The Gold Standard in Campbell and Dougan pages 44-72. (on reserve)

5. National Income Accounting in the Open Economy

- a. Open vs Closed economy
- b. International Transmission of Business Cycles
- c. Macroeconomic Policy and Trade Balance

Dunn and Mutti, Chapter 18.

6. Alternative Models of Balance of Payments

- a. Non-Monetarist View of the Trade balance
- b. Monetarist Model of the Trade Balance
- c. Capital and Current Accounts

Dunn and Mutti, Chapter 15.

7. Payments Adjustment

Dunn and Mutti, Chapter 16.