

**EC872 International Finance**  
Spring 1998

Prof. Peter Pedroni  
143 Carney Hall, 552-3687  
peter.pedroni@bc.edu

Class Meeting Times:  
Wed, Fri 1:30-2:45, 011 Carney  
Office Hours: W, F 3:00-4:00

Course Objectives: We will study foundations and current topics in international finance and open economy macro. In addition to the theoretical foundations developed in the textbook, the course will focus particular attention on current empirical research in the international finance and open economy macro literature.

Primary Textbook: Obstfeld, M. and K. Rogoff (1996), FOUNDATIONS OF INTERNATIONAL MACROECONOMICS, MIT Press, Cambridge, MA., 1st. Ed.

Course Requirements: Occasional Assignments: 10% , Midterm Exam: 30%, Term Paper: 60%. In addition to occasional homework assignments and a take-home midterm exam, students will be required to complete a term paper for the course and present a brief summary in class. The topic is to be chosen by the student, but must be approved in advance by the instructor.

General Outline: The following is a very general outline of the major topics that we will be covering. It is intended to remain somewhat flexible so as to accommodate student interests as they develop through the semester. Additional reference lists will be provided for those sections that involve extensive outside readings, particularly sections IIC, IIID and IVB. These sections are intended to supplement the primary textbook by providing a more detailed study of current empirical methods used in international finance and open economy macro and the major empirical findings that have resulted in the literature.

## **I. Background and Basic Foundations of Open Economy Macro Models**

- A.** Intertemporally optimizing models of the current account.
  - Chapter 1, Obstfeld & Rogoff
- B.** A comparison to traditional static Keynesian models
  - lecture notes

## **II. Dynamics in the Open Economy**

- A.** Models based on optimizing representative agents.
  - Chapters 2-3, Obstfeld & Rogoff
- B.** A comparison to sticky price Keynesian Models
  - Chapter 9, Obstfeld & Rogoff

- C.** Empirical methods for investigating dynamics in open economies and results.
  - lecture notes
  - supplemental reading list supplied separately.

### **III.** Money and International Financial Markets

- A.** Real Exchange Rates and Terms of Trade effects
  - Chapter 4, Obstfeld and Rogoff
- B.** International financial markets and trade in assets
  - Chapter 5, Obstfeld & Rogoff
- C.** Models of money and prices in the global economy
  - Chapter 8, Obstfeld & Rogoff
- D.** Empirical methods for investigating arbitrage conditions and steady state relationships in international finance.
  - lecture notes.
  - supplemental reading list provided separately

### **IV.** Growth and Convergence in Open Economies

- A.** Growth models for open economies
  - Chapter 7 Obstfeld & Rogoff
- B.** Empirical methods and results
  - supplemental reading list provided separately