

INTERNATIONAL FINANCE – ECON 244

SUMMER 2019

Instructor: Cristian Cuevas

Email: cc1951@georgetown.edu

Office Hours: TBD

Location: M-T-W-R 3:15-5:15 at Reiss 284

Course Description

This course will focus on understanding some key concepts and issues in international macroeconomics, such as exchange rates, balance of payments, trade and financial accounts, exchange rate regimes and financial crises. In particular, we will focus on some pertinent questions such as what causes countries to run trade surpluses or deficits with their trading partners? How are such imbalances resolved over time? What causes banking and currency crises in open economies? What factors are responsible for financial contagion between economies, and how can governments handle international financial instability? To effectively answer these questions, we will spend time on understanding basic and important concepts of balance of payments, national accounts, exchange rates and their relationship with interest rates. We also spend time looking at the role played by exchange rates in the financial crises, and how adopting different exchange rate regimes can fulfil different policy objectives of the countries.

The textbook for this course is '**International Economics: Theory and Policy**', Tenth Edition, by **Paul R. Krugman, Maurice Obstfeld, and Marc J. Melitz**. We will use the second part of this textbook which is the part corresponding to International Finance. Reading the text is a complement to the lectures and is helpful for a clear and comprehensive understanding of the material. All slides will be uploaded by the instructor on Canvas. We will use a combination of graphs, algebra and intuition. The course will involve solving numerical problems associated with important theoretical concepts.

Course evaluation

Your final course grade will be decomposed as:

Quizz 40 %

Final Exam 60 %

The Quizz will be a short exam just to make sure all students are keeping up with the material, on June 17th. The Final Exam will be on the last day of class, is mandatory and will be cumulative.

Content

I will try to adhere to the following schedule, although this may be too ambitious, so there may be minor changes occasionally:

1. National income accounting and the balance of payments
2. Exchange rates and the foreign exchange market: an asset approach
3. Money, interest rates and exchange rates
4. Price levels and the exchange rate in the long run

5. Output and the exchange rate in the short run
6. Fixed exchange rate and foreign exchange intervention
7. Financial crises
8. Financial globalization: opportunity and crises

Course grades

Grades will be based on the class distribution of overall scores and will follow the Grading Guidelines of the Economics Department. Suspected violations of the Georgetown Honor Code will be reported to the Honor Council.

I will maintain the grades on Canvas and the student should make sure that her/his grades are up to date. **If there exists any inconsistency/error, please report this instantly to me.**