

Fall 2009

Economics 1510W
INTERMEDIATE INTERNATIONAL FINANCE

S. Husted

This is a course in intermediate level international finance with an emphasis on open economy macroeconomics. As such, it will deal in depth with such topics as the foreign exchange market; theories of the balance of payments and exchange rate determination; the extension of macroeconomics to the open economy; and a discussion of past, present, and likely future issues related to the international payments system. Students are expected to have taken intermediate macroeconomics (Econ 1110). Introductory international economics (Econ 0500) is recommended but not required. This course is also designated as a writing course. As such, one of its goals is to help you develop skills in writing in general and in writing about economic phenomena in particular.

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Online Course Materials: All materials for this course can be found on Pitt's CourseWeb site.

Required materials:

Open Economy Macroeconomics by Steven Husted (cited as OEM) (free online at Courseweb)

Other Helpful Links:

[The Economist](http://www.EconomistAcademic.com) To subscribe go to: <http://www.EconomistAcademic.com>.

[Financial Times](#)

[Global Economy Matters](#)

[Real Time Economic Issues Watch](#)

[Wall Street Journal](#)

Grading Policy: Daily Quizzes:	30% ¹
Writing Assignments: ²	
Further questions	10% (optional)
Country Study (total of 4 assignments)	70%

Reading List and Course Outline:³

- I. Introduction
 - *["Overview"](#) *Global Development Finance* The World Bank 2009
 - *["International Economic Update"](#) Fed. Reserve Bank Dallas
 - *["World Economic Outlook Update"](#) International Monetary Fund 2009
- II. The balance of payments
 - *OEM, chapter 1
- III. The foreign exchange market
 - *OEM, chapter 2
- IV. The international monetary system
 - *OEM, chapter 3
 - *E. Prasad & R. Rajan "[Capital account liberalization](#)" *VOX* August 11, 2008.

¹ Grade based on the best 22 (out of 28) scores. Bonus grade awarded to students with 26 or more scores.

² See attached instructions.

³ *'s indicate required material

- F. Caramazza and J. Aziz, "[Fixed or Flexible? Getting the Exchange Rate Right in the 1990s](#)," IMF, April 1998
- R. Duttgupta, G. Fernandez, and C. Karacadag, "[Moving to a Flexible Exchange Rate](#)," IMF, December 2005.
- Michele Cavallo, "[To Float or Not to Float? Exchange Rate Regimes and Shocks](#)," *FRBSF Economic Letter*, January 7, 2005.
- J. Williamson, "[Understanding Special Drawing Rights](#)", Peterson Institute for International Economics, 2009.
- "[Reform of IMF Quotas and Base: Responding to Changes in the Global Economy](#)", IMF 2008.
- *K. Rogoff, "[The Sisters at 60](#)" *The Economist*, July 22, 2004.
- *M. Bordo & H. James "[The IMF as a reserve manager](#)".
- V. Theories of current account behavior
- *OEM, chapter 4, The elasticities model
- *M. Chinn, "[Still Doomed to Deficits: An Update on U.S. Trade Elasticities](#)," University of Wisconsin, 2005
read Section 3.3. only.
- "[The Non-Nuclear Options](#)," *The Economist*, June 11, 2009.
- *OEM, chapter 4, The intertemporal model
- "[Don't Blame the Savers](#)," *The Economist: Global Agenda*, September 16, 2005.
- VI. Exchange rate behavior
- *"[Foreign exchange markets](#)" *BIS 78th Annual Report* Chapter V
- *OEM, chapter 5, Exchange rates in the short run
- *OEM, chapter 5, Exchange rates in the long run
- *"[Cheesed off](#)" *The Economist*, July 16, 2009
Click this [link](#) for a complete history of the Big Mac Index articles.
- M. Pakko & P. Pollard, "[For Here or To Go? Purchasing Power Parity and the Big Mac](#)" *Review*, Federal Reserve Bank of St. Louis, Jan/Feb 1996.
- *OEM, chapter 5, The monetary approach to exchange rate determination
- VII. Open economy macroeconomics
- *OEM, chapter 6
- *"[Policy response to the crisis](#)" *BIS 79th Annual Report* Chapter VI