

GEORGETOWN UNIVERSITY
SCHOOL OF FOREIGN SERVICE – QATAR

INTERNATIONAL FINANCE

ECON 244

Section 1: Sundays & Tuesdays, 09:40 - 10:55am, room B011

Section 2: Sundays & Tuesdays, 12:30 - 01:45am, room B011

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GENERAL DESCRIPTION

International Finance is an essential course for anyone interested to understand the behavior of global markets. Whether you plan to be a policy-maker, an economist or an individual investor, you will get the intuition and tools needed for understanding the dynamics behind the global financial system.

The course introduces you to the foreign exchange market. We discuss the determination of exchange rates and talk about the relation between exchange rates, interest rates, prices and output. By introducing simple models we can discuss the impact different policies and events have on exchange rates and the economy.

Using the intuition we built and the tools we developed, we then proceed to examine a range of interesting topics. In specific, we discuss the European Union, we explain the Asian Crisis, and finally we attempt to understand the current financial crisis.

REQUIRED TEXTBOOK

Krugman, P. and M. Obstfeld, "International Economics," 8th edition (KO)

OPTIONAL READINGS

A good source for current readings on international Finance is the *Financial Times*, the *Wall Street Journal*, and *The Economist*. I highly encourage you to choose one such paper/magazine and become a subscriber. The benefits will expand way beyond the scope of this course. Currently, the library has subscriptions both to the FT and the Economist. Other readings of interest will be posted on Blackboard.

EXAMS, PROBLEM SETS AND CLASS PARTICIPATION

The course will have a midterm (30%) and a final (50%). There will be 6 problem sets (20%) to be completed in groups. Each group can have up to 3 students. The contribution of each person in the group should be precisely documented in each assignment. Class participation is essential. Grade weights are shown in parenthesis.

Depending upon students' performance, I may decide to add in-class, unannounced quizzes. In such case, the quizzes will account for 10% of the total grade, and the weights of the midterm and final exams will be adjusted accordingly to reflect that.

OFFICE HOURS

Office hours are on Sundays and Tuesdays from 2:00pm to 3:00pm or by appointment.

USEFUL LINKS

A) Newspapers

- a. Wall Street Journal www.wsj.com
- b. Financial Times www.ft.com
- c. Bloomberg www.bloomberg.com

B) Magazines

- a. The Economist www.economist.com
- b. Business Week www.businessweek.com

C) Central Banks

- a. Qatar Central Bank www.qcb.gov.qa
- b. Federal Reserve System www.federalreserve.gov
- c. FRB – New York www.newyorkfed.org
- d. European Central Bank www.ecb.int

TOPICS

Lecture 1 (Sunday, Jan 11 2009)

Introduction: Financial Systems

Lecture 2 (Tuesday, Jan 13 2009)

National Income Accounting and the Balance of Payment

Lecture 3 (Sunday, Jan 18 2009)

Savings and Investments in an Open Economy

Lecture 4 (Tuesday, Jan 20 2009)

Exchange Rates

Lecture 5 (Sunday, Jan 25 2009)

Exchange Rates Equilibrium

Lecture 7 (Tuesday, Jan 27 2009)

Money, Interest Rates and Exchange Rates

Lecture 8 (Sunday, Feb 1 2009)

Money, Interest Rates and Exchange Rates (Cont)

Lecture 9 (Tuesday, Feb 3 2009)

Money, Interest Rates and Exchange Rates Review: Temp/Permanent, Short-Run/Long-Run

Lecture 10 (Sunday, Feb 10 2009)

Price Level and the Exchange Rate in the Long Run

Lecture 11 (Tuesday, Feb 12 2009)

Midterm Review

Thursday, Feb 12, 2009

***** MIDTERM EXAM *****

Lecture 12 (Sunday, Feb 15 2009)

The Real Exchange Rate

Lecture 13 (Tuesday, Feb 17 2009)

Output and the Exchange Rate in the Short-Run

***** SPRING BREAK *****

Lecture 14 (Tuesday, Mar 10 2009)

Output and the Exchange Rate in the Short-Run (Cont): Market Equilibrium

Lecture 15 (Sunday, Mar 15 2009)

Fixed Exchange Rates

Topics: Dubai

Lecture 16 (Tuesday, Mar 17 2009)

Macroeconomic Policy and Coordination Under Floating Exchange Rates

Lecture 17 (Sunday, Mar 22 2009)

Topic: Optimal Currency Areas and the European Experience

Lecture 18 (Tuesday, Mar 24 2009)

Topic: Optimal Currency Areas and the European Experience (Cont)

The GCC Monetary Union

Lecture 19 (Sunday, Mar 29 2009)

Topic: The GCC Monetary Union

Lecture 20 (Tuesday, Mar 31 2009)

Developing Countries: Growth, Crisis, and Reform

Lecture 21 (Sunday, Apr 5 2009)

Topic: The East Asian Crisis

Lecture 22 (Tuesday, Apr 7 2009)

Topic: The East Asian Crisis (Cont)

Topic: The Russian Default in 1998

Lecture 23 (Tuesday, Apr 14 2009)

Topic: Currency Crisis

Topic: Political and Country Risk

Lecture 24 (Sunday, Apr 19 2009)

***** Special Lecture: Qatar Central Bank, Mr. Khalid Al-Khater**

***** Room and Time Change: Faculty Lounge, 4:30pm**

Lecture 25 (Tuesday, Apr 21 2009)

Final Review

***** FINAL EXAM *****