

Universität Bern
WS 2000/01

International Economics II /International Finance

Lectures: Mo: 14-16, We: 10-11
Exercises (C. Meyer): We: 11-12
Office hours: Mo: 12.00-13.00
or by appointment
or by email

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1. The course will cover the key issues in international macroeconomics and finance. The course contains both theoretical and empirical material and will be taught at an intermediate level of technical difficulty. It is based on a number of readings (mostly journal articles and book chapters) and is to a large degree self-contained. The only requirement is knowledge of basic micro and macro.

2. The evaluation (grade) will be based on a final exam. Sets of review questions as well as a sample exam will be made available.

3. There is a set of -optional- homework problems. Some of these problems serve as a preparation for the exam. Others aim at helping you develop useful empirical skills.

The course is eclectic in its coverage of topics and as a result it cannot be served satisfactorily by any of the existing textbooks in international finance. Nevertheless, those who need a strong anchor –or want to strengthen their background for this course- may find related material in the books "World Trade and Payments" by Caves, Frankel and Jones (CFJ), 8-th edition and "International Economics" by Husted and Melvin (HM). In any case, your class notes together with the starred articles below should be sufficient.

Note: A star indicates important reading (some of the articles appear multiple times in the reading list). **For the exam, you will need to read only the starred items (plus the class notes).**

Preliminaries: The balance of payments accounts, CFJ, ch 15 (or any other textbook)

1. Exchange rate determination

Meese, R., 1990, Currency fluctuations in the post Bretton Woods era, Journal of Economic Perspectives, Winter.

*Obstfeld, M. 1995, International currency experience: New lessons and lessons relearned, Brookings Papers in Economic Activity.

Stockman, A., 1987, The equilibrium approach to exchange rates, Economic Review, Federal Reserve Bank of Richmond, 12-31.

CFJ: ch 16, 25

HM: ch. 12, 13, 15

2. The foreign exchange market

*Froot, K. and R. Thaler, 1990, On the efficiency of foreign exchange rate markets, Journal of Economic Perspectives, Summer.

*Neely, C., 1997, Technical analysis in the foreign exchange market: A layman's guide, 1997

Federal Reserve Bank of St. Louis Review, Sept/Oct (79):5.

CFJ: ch 26.1, 26.2

HM: ch 11, 14

3. International capital markets

A. International portfolio diversification

Lewis, K., 1995, Puzzles in international financial markets, in G. Grossman and K. Rogoff (eds.) The Handbook of International Economics, vol. 3 (Amsterdam: Elsevier).

HM: ch. 14

B. International capital mobility

*Obstfeld, M. 1995, International capital mobility in the 90's , in P. Kenen (ed), Understanding interdependence, Princeton Univ. Press.

C. The LDC debt problem

*Krugman, P. and M. Obstfeld, 1994, International Economics, ch. 23, (3rd ed) Norton.

HM: ch 18

4. The current account

*Obstfeld, M. 1995, International currency experience: New lessons and lessons relearned, Brookings Papers.

5. Economic policy

CFJ ch. 22, ch. 23

HM ch: 19

6. Exchange rate systems and macroeconomic stability

Obstfeld, M. and K. Rogoff, 1995, The mirage of fixed exchange rate systems, Journal of Economic Perspectives, Fall 1995.

CFJ: ch 24.1

CM: ch 17

7. Currency crises

*Krugman, P., 1998, Currency crises, mimeo.

Krugman, P., 1998, What happened to Asia, mimeo.

The Asian Crisis, June 1998 Issue of Finance and Development, IMF and World Bank

Time permitting

A1. European monetary integration

Bean, C., 1992, Economic and monetary union in Europe, Journal of Economic Perspectives, Fall

A2. Financial markets and economic development

Levine, R., 1997, Financial development and economic growth: Views and agenda, Journal of Economic Literature, 688-726.

Controversy: Finance and Development, 1997, Economic Journal, May.