Course requirements:
There will be a midterm (counting for 40%) and a final exam (counting for
60%). I will assume that students have a basic background in Macroeconomics
(course Econ. 408, for example).

Text books:
- Required: Rivera Batiz Francisco & Luis, International Finance and Open
- Recommended: Dornbush Rudiger, Open Economy Macroeconomics, Basic Books,
  1980.

Reading list and course outline:
An asterisk indicates required material. The other material is optional
and given for further reference.

I) The foreign exchange market
   Rivera Batiz (RB), Ch. 1*

II) The Balance of Payments: Concepts and Accounting
   RB, Ch. 4*
   Dornbush, Ch. 2

III) The Keynesian System and the Foreign Trade Multiplier
   RB, Ch. 5*
   Dornbush, Ch. 3, 6*

IV) Asset Markets, Adjustment Mechanisms, Capital Mobility and Stabilization
    Policies
   RB Ch. 6*, 7*
   Dornbush, Ch. 10, 11
   Mundell, Robert, "The Appropriate Use of Monetary and Fiscal Policy
   70-79.
   Mussa, M. "Macroeconomic Interdependence and the Exchange Rate Regime"
   in Dornbush and Frenkel, J. (eds.). International Economic Policy:
   Obstfeld, M. "Can We Sterilize? Theory and Evidence," American Economic
   Review, 72, N. 2 (May 1982), 45-50.

V) The Monetary Approach to the Balance of Payments
   RB, Ch. 14*
   Johnson, H.G., "The Monetary Approach to the Balance of Payments
   Theory," in Frenkel, J. and Johnson, H.G. (eds.). The Monetary
   Approach to the Balance of Payments, University of Toronto Press,
   1976.
   Mussa, M., "A Monetary Approach to the Balance of Payments Analysis,"
   Journal of Money Credit and Banking, 6, 1974.
VI) The Economics of Flexible Exchange Rates
RB, Ch. 8*, 9*, 15*

VII) Purchasing Power Parity Theory

VIII) The Interest Rate Parity Theory, The Forward Exchange Rate and the Efficiency of Foreign Exchange Markets.
RB 2*, 3*

IX) Inflation, Unemployment and Economic Policy in the Open Economy
RB, Ch. 10*, 11*, 12*, 13*

X) Interdependence in the World Economy
RB, Ch. 16*, 17*