Economics 4423 — International Finance — Fall 1991

Instructor: Don Roper  Office Hours: 11-12 and 5:15-5:45 MW  Room 14

This course concerns international monetary policy, debt instruments, monetary theory, international monetary history, the evolution of the gold standard, and the future of international monetary arrangements.

The course is arranged in three parts with exams at the end of each part. The exams are Oct 2 (Wed), Nov 4 (Mon) and Dec 6 (Friday) and a final exam, Dec 12 (Mon) 3:30-6:30. (Makeup exams are oral.) The four exams will be weighted equally and the best three of four will determine the course grade. Most readings are in a xeroxed course packet. A few readings will be placed on reserve. The prerequisite for the course is intermediate macroeconomics which, in turn, has the prerequisite of calculus. Students should expect to use some basic calculus in Economics 4423. A review of the necessary calculus will be provided in class. A genuine understanding of beginning algebra is also essential.

Part I: TECHNICAL BACKGROUND AND FUNCTIONING OF BRETTON WOODS
“Yields, Present Values, and All That”
“Central and Commercial Bank Liabilities”
“Lowering the Deficit Through Indexation”
“Using Escalators to Help Fight Inflation” Milton Friedman
“Causes and Consequences of the Debt Crisis”
“Secrets of the Temple” William Greider, selections
“Purchasing Power Parity”
“The Role of Gold and Prospects for Fixed Exchange Rates”
“Devaluation Under the Gold Standard vs Gold Exchange Standard”
“The Case for Floating Exchange Rates” — Milton Friedman
“Will We Return to Fixed Exchange Rates?”

Part II: HISTORY OF THE GOLD STANDARD FROM A US PERSPECTIVE
“Late Nineteenth Monetary Theory and Controversy”
“Development of the Asymmetric Gold-Exchange Standard”
“Debt, Gold and the Great Depression”
“Peter Temin’s View of the Great Depression”
“Roosevelt’s Devaluation of the Dollar”
“Churchill’s Return to Gold” — Keynes
“Keynes on the Gold Standard and the Great Depression”
“Evolution of Exchange Rate Policy”

Part III: MULTI-CURRENCY THEORY AND ALTERNATIVE MONETARY ARRANGEMENTS
“The Monetary Approach to the BOP and EMP”
“What’s the Demand for Money?”
“What’s Money”
“Keynes’ Invariance Principle”
“How Debt Might Interact with Disinflation to Cause Depression”
“How to Stop Sustained Inflation”
“Substitutable Monies and the Monetary Standard”
“Competitive Monies and Alternative Monetary Arrangements”