This class is an introduction to open economy macroeconomics and international finance. The core objective of the course is to develop simple macroeconomic models of open economies that can be usefully applied to international economic phenomena.

A great deal of emphasis will be placed on “having a feel” for the material; students are required to read either the Financial Times or The Economist, taking note of important events of relevance in the world. Empirical (as well as theoretical) knowledge of key relationships, data, and current policy issues will be considered a prerequisite for passing the course.

The course prerequisites are Economics 100A&B, 101A&B or the equivalent. Administrative questions (about enrollment, etc.) will be handled by the Economics Department (549 Evans). The head GSI is Sean Flynn (sflynn@econ.berkeley.edu), while the Academic Program Manager is Casey Gardner (casey@econ.berkeley.edu).

The techniques will be basically geometric, although simple algebra (and some calculus) will be used throughout.

Grades will be allocated on the basis of: 1) a final exam (55%); 2) a mid-term (30%); and 3) problem sets (15%).

Problem sets will not be graded. The problem sets (and their answers) will be posted on a course website (the URL will be provided). Problem sets will be made available on Wednesdays and due the following Monday. The website for the problem sets is: http://www.well.com/user/jeanphi/182/182ps.html.

Much communication will be internet-based. Students are urged to subscribe to an e-mail alias (details will be provided in class). Students should subscribe to the appropriate aliases; details are available at: http://www.well.com/user/jeanphi/182/john.pdf. Students should subscribe to both the alias for their GSI section (econ182jb; econ182jps; econ182ma), and for the course (econ182all).
There is no required reader, though students are expected to have access to and read either *The Financial Times* or *The Economist*. Access to the latter is available on-line when bundled with Krugman-Obstfeld.

The required text for the course is: *International Economics* by Krugman and Obstfeld, fifth edition (Addison Wesley, 2000). There are many good substitutes for Krugman and Obstfeld, including: 1) *World Trade and Payments* by Caves, Frankel and Jones; 2) *International Economics* by Carbaugh; 3) Yarbrough and Yarbrough's *International Economics* and 4) Pugel and Lindert’s *International Economics*. Much of the material, especially that dealing with developing countries and currency crises, is not in the text.

A copy of this syllabus and links for students will be available at: http://haas.berkeley.edu/~arose/Teach.htm
**Tentative Course Outline**

Chapter references are given for Krugman-Obstfeld.

**I. International Finance**
1. Foreign Exchange Markets (chapter 13)
2. Interest Parity Conditions and Market Efficiency (13)
3. Offshore Financial Markets (21)

**III. Open Economy Macroeconomics**
1. Balance of Payments Accounting (12)
2. The Trade Balance in the Keynesian Cross
3. Adding Money with immobile capital (22)
4. Perfect Capital Mobility for fixers (17)
5. Flexible Exchange Rates (16)
6. The Asset Market Approach and the Short Run (14)
7. Fixed versus Floating Exchange Rates (19)
8. Purchasing Power Parity and the Long Run (KO 15)

**MID-TERM**

**III. The International Environment**
1. Early Fixed Rate Regimes (18)
2. EMU and modern fixes (20)
3. Optimum Currency Areas and Dollarization (20, 22)
4. Regime Choice (20)
5. Post-Bretton Woods floating (19)
6. Crises (22)

**FINAL EXAM**