

**AMEICAN UNIVERSITY OF BEIRUT  
FACULTY OF ARTS AND SCIEN CES  
DEPARMTNET OF ECONOMICS**

**ECONOMICS 336-INTERNATIONAL MONETARY ECCNOMICS**

**I. Course Learning Outcomes**

This course covers major topics in international economics . It begins with the concept of the balance of payments and then moves on to explain the main models of international economic adjustment; open macro economic policy issues are discussed and foreign exchange and international financial markets are analyzed. The course concludes with an analysis of globalization. economic interdependence and growth in the world economy with special reference to developing economies. The objective of the course is to develop student expertise in the workings of the international economy and understanding of the major economic policy issues in the open economy. Students, grouped in small clusters, are assigned topics for presentation in class ; class interaction is encouraged.

**11. Resources Available to Students**

**General references :**

1. J. Neihans, *International Monetary Economics* ( John Hopkins Press, 1984).
2. The Collected Papers of J. Frankel, *On Exchange Rates* (MIT Press, 1995) .
3. The Collected Papers of P. Krugman, *Currencies and Crisis* (MIT Press, 1995).
4. P. Isard, *Exchange Rate Economics*, (Cambridge University Press, 1995).
5. B. McCallum, *International Monetary Economics*, ( Oxford University Press 1996).
6. M. Obstfeld and K. Rogoff, *Foundations of International Macroeconomics*, ( the MIT Press, 1996).
7. B.Soderstena and G.Reed, *International Economics* ( third edition, 1994)
8. Tucker, Madura and Chiang , *International Financial Markets* ( West Publishing Company, 1998).

9. R. Levich, *International Financial Markets* ( McGraw-Hill, 1998).
10. Joseph Stiglitz, *Globalization and Its Discontents* ( 2002)
11. World Bank, *Globalization , Growth , and Poverty* (2002)

**Journal Articles/Papers ( this list of references is periodically revised)**

- P. Lane, “ The new open economy macroeconomics: a survey”, *Journal of International Economics* , V. 54, Issue 2, August 2001
- D. Rapach and M. Wohar, “Testing the monetary model of exchange rate determination: new evidence from a century of data”, *Journal of International Economics* , V. 58, Issue 2, December 2002.
- F. Collard and H. Dellas, “ Exchange rate systems and macroeconomic stability:” , *Journal of Monetary Economics* , V. 49, Issue 3, April 2002.
- M. Taylor and L. Sarno. “Purchasing Power Parity and the Real Exchange Rate”, *IMF Staff Papers* v. 49 , 2002).
- T. Bayoumi and R. Macdonald, “Deviation of Exchange Rates from Purchasing Power Parity: A Story of Two Monetary Unions”, *IMF Staff Papers* March 1999)
- Woochan Kim, “ Does Capital Account Liberalization Discipline the Budget Deficit?” , *Review of International Economics* V. 11, Issue 5, November 2002.
- R. Flood and A. Rose “ Uncovered Interest Parity in Crisis” *IMF Staff Papers*, V. 49. No. 2 ( 2002)
- C. Levy Yefati and F. Sturzenegger “Exchange Rate Regimes and Economic Performance” , *IMF Staff Papers* , V. 47 ( Special Issue , 2001).
- J. Boughton “ On the Origins of the Fleming-Mundell Model” .  
*IMF Working Paper* ( WP/02/107-- June 2002).
15. C. Reinhart and K. Rogoff, “The Modern History of Exchange Rate Arrangements: A Reinterpretation”, *NBER Working Paper* No. 8963 ( June 2002).
- Macdonald & Taylor “The Monetary Approach to the Exchange Rate” *IMF Staff Papers*, (March 1993).
- G. Haberler., “The Market for Foreign Exchange and the Stability of the Balance of Payments: A Theoretical Analysis” *Kyklos* V. 3, 1949 Reproduced in R. Cooper, (ed.) *International Finance* (1969).
- .S.S.Alexander. “Effects of a Devaluation on a Trade Balance” in *IMF Staff*

*Papers* (April 1952) reprinted in Caves and Johnson (eds.) *Readings in International Economics* ( 1968).

M. Friedman, “The Case for Flexible Exchange Rates” in P. King. *International Economics and International Economic Policy , A Reader*, ( McGraw-Hill, 1995).

Michael Mussa “ Factors Driving Global Economic Integration” -- A Symposium Paper (August 25, 2000).

G.Tsetsekos and P.Varangis. “The Structure of Derivatives Exchanges: Lessons form Developed and Emerging Markets”, unpublished paper ( December 1997).

### **Grading Criteria**

The final grade is a weighted average of the final exam ( 60 percent); class presentation/paper (30 percent ) and class participation ( 10 percent)

### **Schedule ,**

The class meets one a week. The following are the topics that the course covers. For each topic required readings are assigned.

#### **I. The Balance of Payments**

- Accounting and analytic concepts
- Equilibrium and dis-equilibrium
- Balance of payment and the national economy

#### **II. International Economic Adjustment and Policy Issues of the Open Economy**

- Automatic processes
- Policy oriented adjustments: the absorption and elasticity approaches
- External and internal balance
- The monetary and portfolio balance approaches ( models of asset stock equilibrium)
- News, expectations and exchange rate dynamics
- Interaction of the current and capital accounts
- Exchange rate regimes and policies

#### **III. Foreign Exchange and International financial markets**

- Foreign exchange markets
- Financial Markets
- Emerging markets

#### IV. Globalization, economic interdependence and growth in the world economy

This section will focus on the position of developing economies—in particular the Arab economies-- in the evolving global economy.

Class Presentations/Papers: the class will be divided into clusters of 2-3 students each. Each cluster will be assigned a topic for class presentation. Papers based on these presentations will be submitted towards the end of the semester.

#### **Course Policy**

Class attendance is compulsory . Absence from exams should be supported by a medical excuse. Cheating and plagiarism during exams or writing term papers will be dealt with in accordance with university policies.