

**The Hashemite University**  
**College of Economics and Business Administration**  
**Department of Economics**

Course Title: The Economics of International Finance Instructor Name:

Course Number: Econ 1802011413

Office Room: Econ 307

Course Prerequisite: Econ 1802011306,1802011202

Office Hours:10-11

Class Room: Econ.

Email Address:

Class Time: Phone Extension:

***Course Description:***

This course presents International Macroeconomic theory and applies it towards gaining an understanding of recent events and current policy issues. We will first study the macroeconomic accounting system in an open economy framework using the balance-of-payments accounts. Next we will cover the foreign exchange market. Once these corner stones are in place we will study the past and present international monetary arrangements, and will apply no arbitrage ideas to derive parity conditions for exchange rates. We will also explore the determinants of international capital flows, foreign exchange risk and the financial derivatives as well as different theories of exchange rate determination. We will conclude by visiting the current challenges and dilemmas faced by the existing international financial order.

***Course Objectives:***

The objectives of this course are the following:

- 1) To provide students with theoretical knowledge regarding the functioning of international finance including a variety of methods and models used for this purpose.
- 2) To introduce existing debates and controversies in international finance to the students by examining different theoretical approaches.
- 3) To enable students to develop necessary skills to apply the methods and models to policy making as well as to current economic debates.

***Required Textbook:***

Krugman, P. and Obstfeld, M., "**International Economics: Theory and Policy**", 8th edition, 2008, Addison-Wesley.

***Course Requirements***

Attendance is required and is assumed and expected. Students missing classes should seriously reflect on their commitment to this course as missing classes are highly correlated with poor performance on the exams.

There will be two midterm exams and a final exam. The final exam will be comprehensive. Each midterm exam weighs 20% of the overall grade. The final exam weighs 50% of your overall grade. Attendance and Participation contribute 10% to your grade.

***Missing Exam***

A missed exam may be made – up only and only if: 1) the reason for missing the exam is beyond the student's control, or 2) the student receives prior consent from the instructor for missing the exam. In either case, the student must submit a written and signed statement concerning the reasons for missing the exam, with appropriate documentation,

and petition for make – up. A missed exam will carry a zero grade if these conditions are not met.

***Academic Integrity***

Academic integrity is fundamental to the process of learning and evaluating academic performance. Academic dishonesty will not be tolerated. Academic dishonesty includes, but is not limited to, the following: cheating, plagiarism, tampering with academic records and examinations, falsifying identity, and being an accessory to acts of academic dishonesty. Should issues concerning academic integrity arise; the Hashemite University’s Judicial Code will be strictly enforced. Cheating in exams will result in an automatic zero score.

***Tentative Course Outline:***

<b><i>Ch12: National Income Accounting and the Balance of Payments</i></b>
<b><i>Ch13: Exchange Rates and the Foreign Exchange Market: An Asset Approach</i></b>
<b><i>Ch14: Money, Interest Rates, and Exchange Rates</i></b>
<b><i>Ch15: Price Levels and the Exchange Rate in the Long Run</i></b>
<b><i>(First Exam Covers Chapters 12,13, 14, and 15)</i></b>
<b><i>Ch16: Output and the Exchange Rate in the Short-Run</i></b>
<b><i>Ch17: Foreign Exchange Rates and Foreign Exchange Intervention</i></b>
<b><i>Ch18: The International Monetary System, 1870 - 1973</i></b>
<b><i>Ch19: Macroeconomic Policy and Coordination Under Floating Exchange Rates</i></b>
<b><i>Second Exam (Covers Chapters 16, 17, 18 and 19)</i></b>
<b><i>Ch20: Optimum Currency Areas and the European Experience</i></b>
<b><i>Ch22: Developing Countries: Growth, Crisis, and Reform</i></b>
<b><i>The Final Exam's date to be Assigned by the Registrar Office</i></b>