COURSE OBJECTIVES AND PREREQUISITES

During the past decade two topics have dominated the field of International Finance: (1) Currency Crises, and (2) Monetary Unions. This course provides a broad overview of these two important topics.

The only essential prerequisites are intermediate micro and macro (Econ 301 and 305). Econ 345 is not really required, but it could make your life easier at times. Knowing basic calculus could also make your life a lot easier. The most important prerequisite, however, is having the interest and ability to analyze economic models.

COURSE STRUCTURE

The course will be divided into two parts. The first half of the course will focus on Currency Crises, starting first with an analysis of various theories of speculative attacks, and then moving on to a discussion of policy. The second half of the course will focus on Monetary Unions, again starting with theory, and then moving on to policy.

The format of the course will be a mixture of traditional lecture material and classroom discussion. Participation in the class discussion is required!

COURSE EVALUATION

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Students are responsible for developing their own topics for the term paper. The papers should be between 15 and 20 pages, and must be typed.

COURSE MATERIALS

There is no textbook for this course. Instead, the required readings consist of a collection of journal articles and working papers. Most of them have been assembled into a course reader, which is available through Custom CourseWare at the bookstore. The remaining articles will be distributed in class as we go along.

I also recommend that you keep up with current events by regularly reading the economics section of The Economist weekly news magazine.
COURSE OUTLINE AND READINGS

Readings labeled with an (R) are in the Course Reader. Readings labeled with a (C) will be distributed in class. Readings marked with a (*) are optional, and are either on the web or on reserve at the library.

I. INTRODUCTION (2 lectures)

Week 1 – Historical Overview

II. CURRENCY CRISSES (15 lectures)

Weeks 2-3 – First-Generation Models/Macroeconomic Fundamentals

Weeks 4-5 – Second-Generation Models/Multiple Equilibria

Weeks 6-7 – Third-Generation Models/Financial Fragility
* Chang and Velasco (1999), "Liquidity Crises in Emerging Markets: Theory and Policy" NBER Macro Annual

Week 8 – Policy Implications

Midterm Exam (in class)
III. MONETARY UNIONS (7 lectures)

Weeks 9-11 – Optimal Currency Areas: Theory and Evidence
R Rose and Engel (2000), “Currency Unions and International Integration”

Weeks 12-13 – Policy Implications
R Courchene and Harris (1999), “From Fixing to Monetary Union: Options for North American Currency Integration”
C Levin (2002), “Special Problems of the Euro Area”

April 15 – FINAL EXAM