

Nasser Elahi,
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Course Syllabus:
Graduate Level: Intermediate International Finance
Exchange Rates, Crises, and Policy

Introduction and Objectives

This graduate-level course explores advanced topics in international finance, beginning with balance of payments (BoP) dynamics and progressing to exchange rate theories, crises, and modern policy challenges. Students will engage with models like Dornbusch's overshooting, evaluate equilibrium exchange rate frameworks (FEER, BEER), and analyze currency crises across generations. Case studies (e.g., Asian Financial Crisis, Eurozone instability) and contemporary debates (digital currencies, de-dollarization) contextualize theory. The course emphasizes empirical analysis using IMF and BIS datasets.

By the end of the course, students will:

- Diagnose BoP imbalances and their macroeconomic implications.
- Critically assess exchange rate regimes and their suitability for diverse economies.
- Apply crisis models (1st–3rd generation) to historical and modern financial turbulence.
- Formulate policy recommendations for exchange rate management and crisis mitigation.

Prerequisites

- Graduate standing.
- Prior coursework in intermediate macroeconomics and international economics.
- Familiarity with econometric methods (e.g., regression analysis) is recommended.

Weekly Schedule

Week 1: Balance of Payments Foundations

- *Terra 2021, Ch. 1–2 (BoP structure)*
- *IMF 2009, Balance of Payments Manual*

Week 2: Exchange Rate Regimes

- *Gandolfo 2016, Ch. 4 (Regime typologies)*
- Shambaugh 2004, "The Effects of Fixed Exchange Rates"

Week 3: Monetary Approach & PPP

- *Gandolfo 2016, Ch. 6 (Monetary models)*
- Rogoff 1996, "The Purchasing Power Parity Puzzle"

Week 4: Overshooting Model

- *Dornbusch 1976, "Expectations and Exchange Rate Dynamics"*

- *Gandolfo 2016, Ch. 7 (Derivations)*

Week 5: BoP Adjustments & Competitiveness

- *Terra 2021, Ch. 5 (Developing economies)*
- *IMF 2010, "Currency Undervaluation and Trade Surpluses"*

Week 6: Optimum Currency Areas (OCA)

- *Mundell 1961, "A Theory of Optimum Currency Areas"*
- *Gandolfo 2016, Ch. 18 (Eurozone case)*

Week 7: Estimating Equilibrium Exchange Rates

- *Williamson 1983, The Exchange Rate System (FEER)*
- *Terra 2021, Ch. 7 (BEER applications)*

Week 8: Exchange Market Instability

- *Obstfeld 1996, "Models of Currency Crises with Self-Fulfilling Features"*

Week 9: 1st-Generation Crises

- *Krugman 1979, "A Model of Balance-of-Payments Crises"*
- *Gandolfo 2016, Ch. 20 (Mexico 1994 case)*

Week 10: Midterm Exam

Covers Weeks 1–9

Week 11: 2nd-Generation Crises

- *Eichengreen et al. 1995, "Exchange Market Mayhem"*

Week 12: 3rd-Generation Crises

- *Terra 2021, Ch. 10 (Contagion)*
- *Kaminsky & Reinhart 1999, "The Twin Crises"*

Week 13: Policy Responses

- *Stiglitz 2002, Globalization and Its Discontents (excerpts)*

Week 14: Exchange Rate Policy Debates

- *Calvo & Reinhart 2002, "Fear of Floating"*

Week 15: Digital Currencies

- *BIS 2021, Central Bank Digital Currencies*

Week 16: Presentations & Review

Assessment

1. **Midterm Exam (4 out of 20):** Covers Weeks 1–9 (BoP, exchange rate models, OCA).
2. **Research Paper (6 out of 20):** Empirical analysis (e.g., testing FEER/BEER for a currency).
3. **Discussion and Active Contribution (5 out of 20):** Quality and consistency of in-class participation.
4. **Final Exam (5 out of 20):** Essays on Weeks 11–16 topics.

Communication with Students

- **Email Protocol:**
 - **Address:** elahi.mofid@gmail.com
 - **Subject Line:** Always include “INTFIN032” and a brief topic.
 - **Response Time:** Instructor will reply within 72 hours (*including weekends*).
- **Office Hours:**
 - **When:** Sundays, 1:00 PM – 2:30 PM (in-person).
 - **Purpose:** Discuss research proposals, clarify concepts.
 - **Booking:** Schedule appointments via email at least 24 hours in advance.