Goal of the course
To provide an understanding of current academic research in the areas of international finance and international macroeconomics. To teach interested students the tools for conducting research in this field.

Readings
The required readings for this course are available as a bulkpack with Wharton Reprographics. Hard copies of the papers for supplemental reading and for student presentations are at your disposal for photocopying from Arthur James at the Finance Department reception Desk.

Requirements
(1) Exam — comprising 60% of grade; (2) Critical analysis of a research paper given by oral presentation — comprising 40% of grade. For students falling between a letter grade, a third category may be relevant: (3) Course participation.

The exam will be given in class on:

MARCH 10.
Please make a note of this!

Student presentations
Students will be required to choose the paper that they wish to critique as well as their presentation dates by March 24. Papers are chosen on a first come first served basis. We will provide detailed information about how this presentation should be prepared by March 10. The two dates for student presentations are:
APRIL 21, and
APRIL 28.

Auditors
Any students sitting in on the course who are not registered for a grade are required to provide an oral presentation of a paper, as are registered students. No students are allowed to "sit in" without providing evidence of doing the required work. Auditors are exempt from taking the exam, however.
COURSE OUTLINE

<table>
<thead>
<tr>
<th>Topic</th>
<th>% of class-time allocated</th>
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<tbody>
<tr>
<td>1. Exchange rates</td>
<td>15%</td>
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<tr>
<td>2. Currency crises</td>
<td>15%</td>
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<tr>
<td>3. General equilibrium international business cycles</td>
<td>40%</td>
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<tr>
<td>3.1. Basic model with complete markets</td>
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<td>3.2. Incomplete markets</td>
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<td>3.3. Multi-goods, nonseparabilities in utility and production</td>
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<td>3.4. Sticky price models</td>
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<td>3.5. Liquidity money models</td>
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<td>4. Foreign exchange risk premium</td>
<td>15%</td>
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<tr>
<td>4.1. Theoretical</td>
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<td>4.2. Empirical</td>
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<tr>
<td>5. International Diversification</td>
<td>20%</td>
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<tr>
<td>5.1. International CAPM, Euler equations</td>
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<tr>
<td>5.2. Home bias</td>
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(Due to rounding, the percentages do not add to 100)

READING LIST

1. Exchange rates


Supplemental Reading:

2. Currency Crises

2.1. Early Models


Supplemental Reading:


2.2. Recent Models


Burnside, Eichenbaum and Rebelo, 1998, *Prospective deficits and the asian currency crisis*, manuscript

Supplemental Reading:


For Student presentation:

One out of the following two:


3.1. Basic model with complete markets


3.2. Incomplete markets


Supplemental Reading:


3.3. Multi-goods, nonseparabilities in utility and production


3.4. Sticky price models


Supplemental Reading:


For Student Presentation


One out of the following two:


3.5. Liquidity money models

For Student - Presentation

One out of the following two:


4. Foreign Exchange Risk Premium

4.1. Theoretical


Supplemental Reading:


For student presentation


4.2. Empirical

5. **International Diversification**

5.1. **International CAPM, Euler equations**


**Supplemental Reading:**


**For student presentation**


5.2. **Home bias**


**Supplemental Reading:**


**Supplemental reading**


**For Student presentation:**

One out of the following two:


Dumas, Bernard and Uppal Raman, 1998, *Global diversification, growth and welfare with imperfectly integrated markets for good*, manuscript
