The foreign exchange market is the world’s largest financial market with a trading volume well over $1 trillion every day. Who are the players in this market? What role does the foreign exchange market play in the global economy? Why do exchange rates fluctuate so much and is that good or bad for a country’s economy? Should we restrict international capital flows? These questions have been hotly debated in the wake of recent financial crises around the globe. Policymakers have responded differently to this “brave new world” of huge financial flows. In Europe, twelve countries have opted to abolish their national currencies in favor of a new common currency (the euro) that is issued and controlled by the European Central Bank. In Latin America, two countries have taken the drastic step of “dollarizing” by making the U.S. dollar the only legal tender in their economies. Why would any country relinquish control over its monetary and exchange rate policy? How does monetary integration affect financial markets, trade and capital flows, and a country’s economy?

These are some of the issues that will be addressed in this course. We will cover three broad topics: (1) foreign exchange markets, international investing, and the international financial system, (2) exchange rates, balance of payments, and the macroeconomy, and (3) problems and prospects of the international monetary system. This is a “hands-on” course where students will monitor a foreign currency, analyze international economic data, and examine the policy options available to governments in an interdependent world.

The required text is *International Monetary and Financial Economics* (3rd edition) by Daniels and Van Hoose. Course requirements include two exams, four problem sets, five or six weekly exchange rate reports, and a short paper. The final course grade is a weighted average of your performance throughout the semester.

Prerequisite: Econ 303 or 315.

Class Time: TR 12:30 - 1:45 pm
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