

Final exam topics

Balance of Payments and Foreign Exchange

- Definition

- Types of transactions – credits and debits

- Current account – defined

- Capital account – defined

- Keynesian approach to the Current Account

- Is the current account deficit a problem? Why or why not.

Balance of payments: the U.S. experience – power point presentation

Foreign Exchange Markets

- Exchange rate defined

- Types of currency transactions

- Types of exchange rate regimes

- Determination of exchange rate – supply and demand

- Pros and cons of currency appreciation and depreciation

Real exchange rate theory

- Purchasing power parity

- Big Mac index and its usefulness

- Law of one price – does it hold or not, why or why not

Theory of arbitrage and exchange rates

- Exchange rate parity between trading locations

- Interest rate parity condition

- Impact of non-traded goods on law of one price and PPP

Currency Crises – power point presentation

- Crisis defined

- Stereotypical chain of events

- Select currency crises

- Causes of crises

- Impact of Crises on select economic variables

- Impact of select economic variables on the probability of a crisis

Foreign direct investment

- Types of FDI

- Motivations for FDI

- Explanations for horizontal and vertical FDI

- Costs and Benefits of FDI for host and investing countries