**INTERNATIONAL ECONOMCS II**

Topics to be covered on the midterm April 10th, 2019

Krugman, Obstfeld, Melitz. (KOM, 9th edition) <https://dl1.cuni.cz/pluginfile.php/265896/mod_resource/content/1/Krugman%2C%20Obstsfeld_International%20Economics.pdf> (The page numbers below are from this edition)

Also, Salvatore is a very good textbook.

You can access it from [http://dl.iranidata.com/book/daneshgahi/Dominick%20Salvatore-International%20Economics(www.Iranidata.com).pdf](http://dl.iranidata.com/book/daneshgahi/Dominick%20Salvatore-International%20Economics%28www.Iranidata.com%29.pdf)

1. Chapter 13 (KOM, 9th edition)

**1Ch 13 3 National Income Accounting and the Balance of Payments 293**

**National Income Accounting for an Open Economy**

**The Balance of Payments Accounts**

Also, read the BP metodology text I provided from TCMB.

1. Chapter 14 (KOM, 9th edition)

**14Exchange Rates and the Foreign Exchange Market: An Asset Approach 320**

**The Foreign Exchange Market**

**The Demand for Foreign Currency Assets**

**Equilibrium in the Foreign Exchange Market**

**Interest Rates, Expectations, and Equilibrium**

Also, read the supply and demand framework of the foreign exchange market from Salvatore:

[http://dl.iranidata.com/book/daneshgahi/Dominick%20Salvatore-International%20Economics(www.Iranidata.com).pdf](http://dl.iranidata.com/book/daneshgahi/Dominick%20Salvatore-International%20Economics%28www.Iranidata.com%29.pdf)

14.3 Foreign Exchange Rates pg 427-431

14.3C The Exchange Rate and the Balance of Payments pg 432

You are not responsible for swaps and hedging.

1. Chapter 15 (KOM, 9th edition)

**15 Money, Interest Rates, and Exchange Rates 354**

***I assume that you have mastered the following topics already:***

Money Defined: A Brief Review ,The Demand for Money by Individuals Aggregate Money Demand . The Equilibrium Interest Rate: The Interaction of MoneySupply and Demand

***You are responsible for the following topics***

**The Money Supply and the Exchange Rate in the Short Run . . . . . . . . . . . . . . . . . . . . . . . .363**

Linking Money, the Interest Rate, and the Exchange Rate . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .364

U.S. Money Supply and the Dollar/Euro Exchange Rate . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .365

Europe’s Money Supply and the Dollar/Euro Exchange Rate . . . . . . . . . . . . . . . . . . . . . . . . . . . .366

**Money, the Price Level, and the Exchange Rate in the Long Run . . . . . . . . . . . . . . . . . . . .368**

Money and Money Prices . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .369

The Long-Run Effects of Money Supply Changes . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .369

Empirical Evidence on Money Supplies and Price Levels . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .370

Money and the Exchange Rate in the Long Run . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .371

**Inflation and Exchange Rate Dynamics . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .372**

Short-Run Price Rigidity versus Long-Run Price Flexibility . . . . . . . . . . . . . . . . . . . . . . . . . . . . .372

**BOX: Money Supply Growth and Hyperinflation in Bolivia . . . . . . . . . . . . . . . . . . . . . . . . .374**

Permanent Money Supply Changes and the Exchange Rate . . . . . . . . . . . . . . . . . . . . . . . . . . . . .374

***You are responsible up to:***

Exchange Rate Overshooting . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .377