

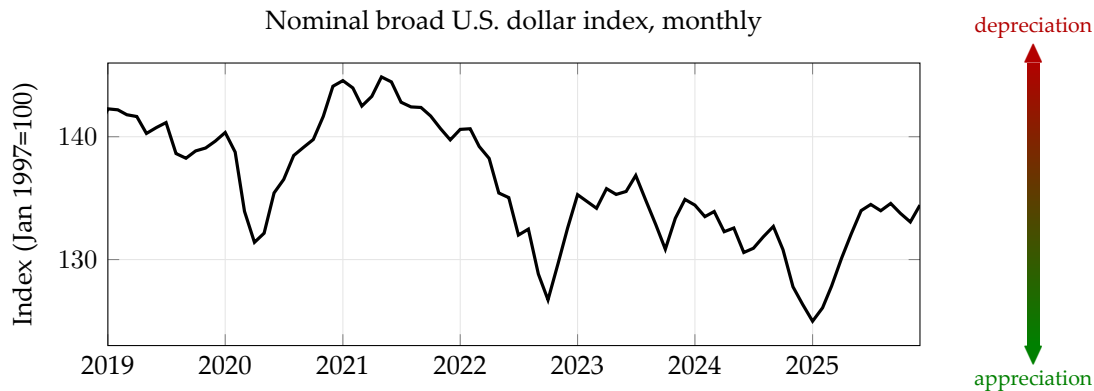
ECON 1550: International Finance

A Tour of the Class

What is International Finance?

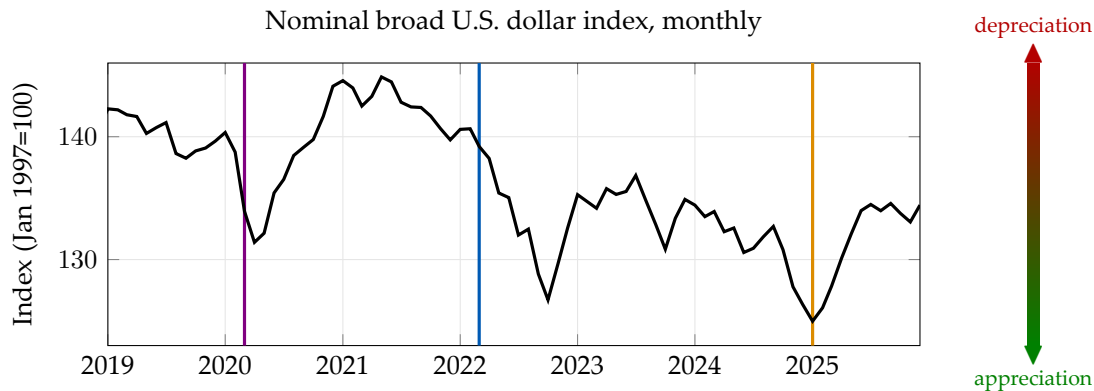
- Extension of Intermediate Macro to open economies
- Open economies:
 - Imports and Exports
 - $Y = C + I + G$ becomes $Y = C + I + G + EX - IM$
- Why finance?
 - Exports and imports must be paid for!
 - If a country imports more than it exports, it must issue IOUs
 - IOUs are *financial assets*
 - $EX - IM$ = change in net foreign wealth

Dollar Exchange Rate: 2019–present



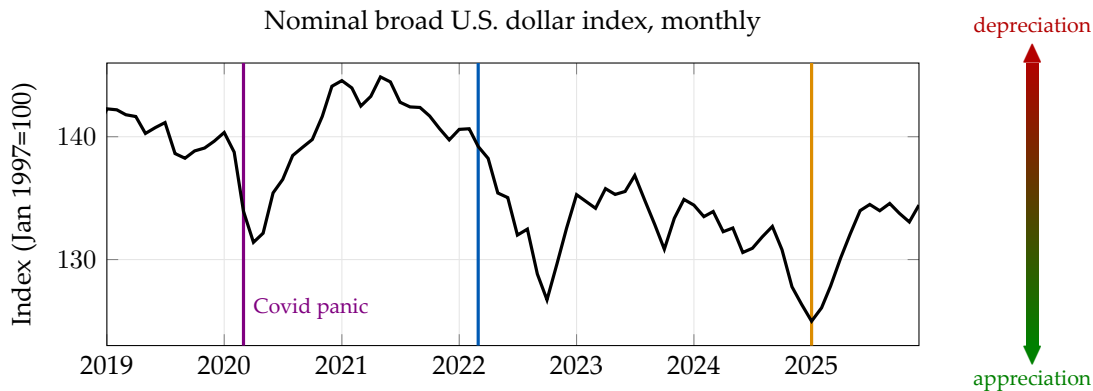
Source: Board of Governors of the Federal Reserve System (US) via FRED (TWEXBMTH and TWEXBGSMTH, spliced).

Dollar Exchange Rate: 2019–present



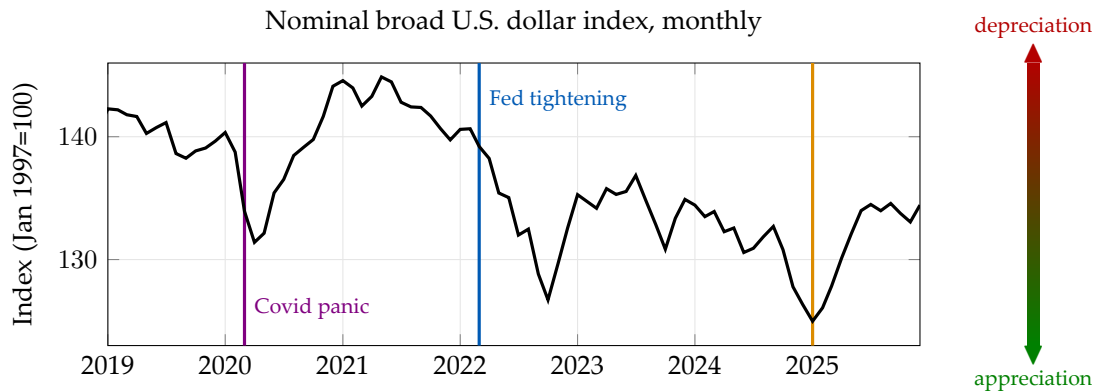
Source: Board of Governors of the Federal Reserve System (US) via FRED (TWEXBMTH and TWEXBGSMT, spliced).

Dollar Exchange Rate: 2019–present



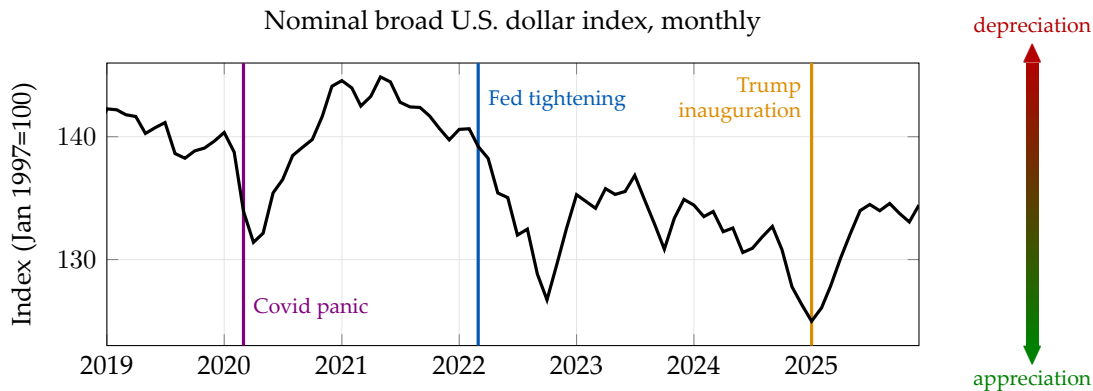
Source: Board of Governors of the Federal Reserve System (US) via FRED (TWEXBMTM and TWEXBGSMTH, spliced).

Dollar Exchange Rate: 2019–present



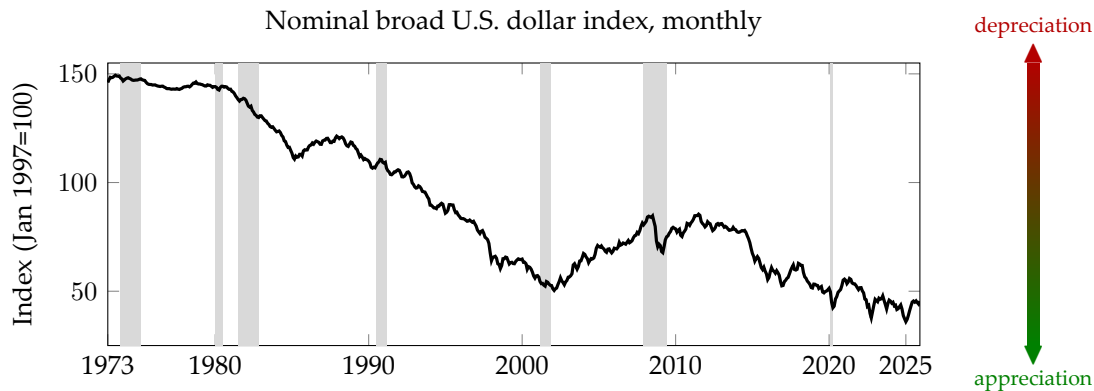
Source: Board of Governors of the Federal Reserve System (US) via FRED (TWEXBMTM and TWEXBGSMTH, spliced).

Dollar Exchange Rate: 2019–present



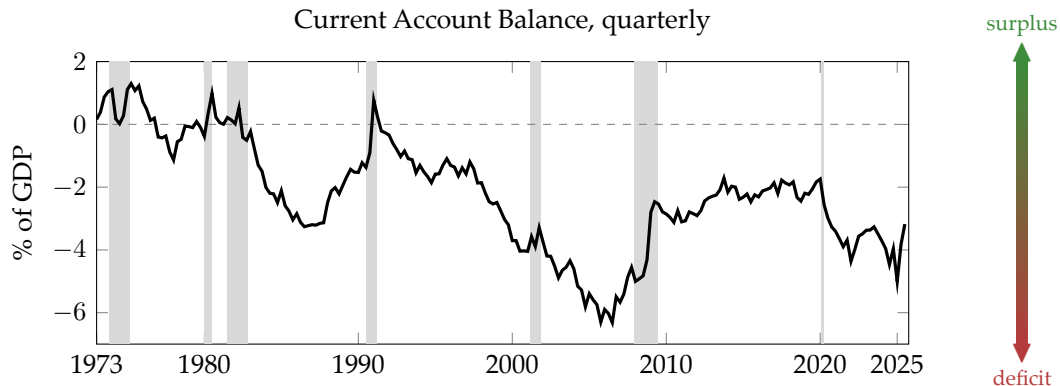
Source: Board of Governors of the Federal Reserve System (US) via FRED (TWEXBMTM and TWEXBGSMTH, spliced).

Dollar Exchange Rate: 1973–present

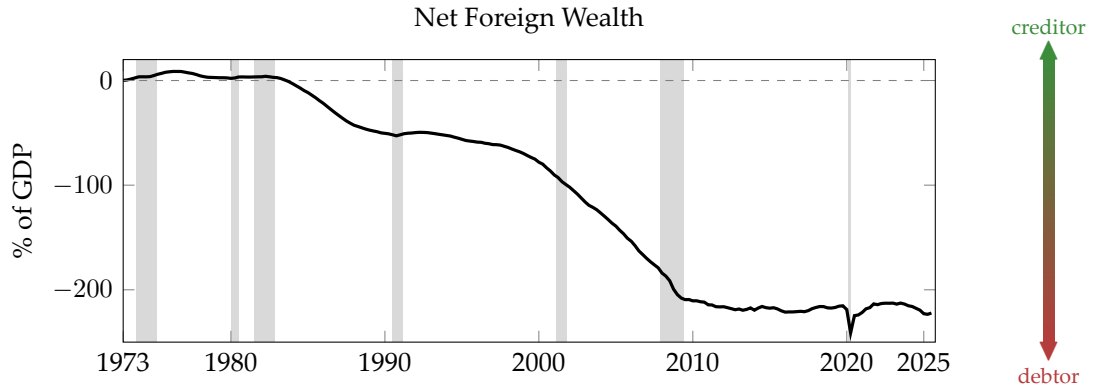


Source: Board of Governors of the Federal Reserve System (US) via FRED (TWEXBMTH and TWEXBGSMTH, spliced).

U.S. Current Account Balance: 1973–present

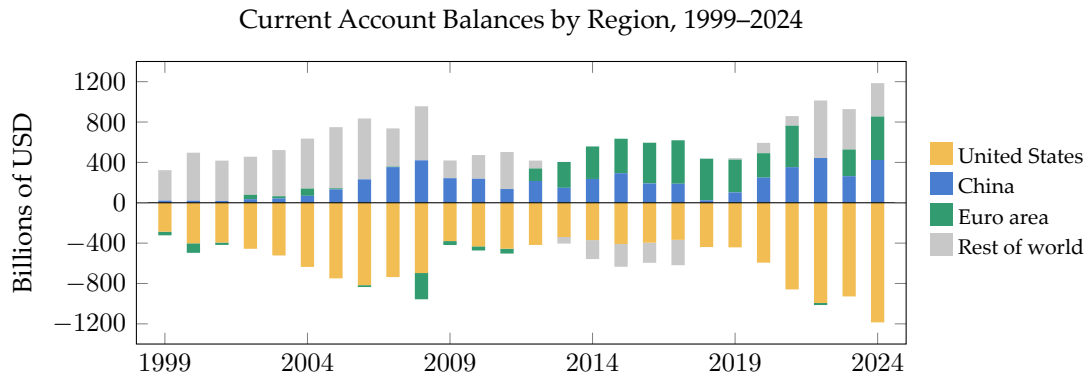


Net Foreign Wealth



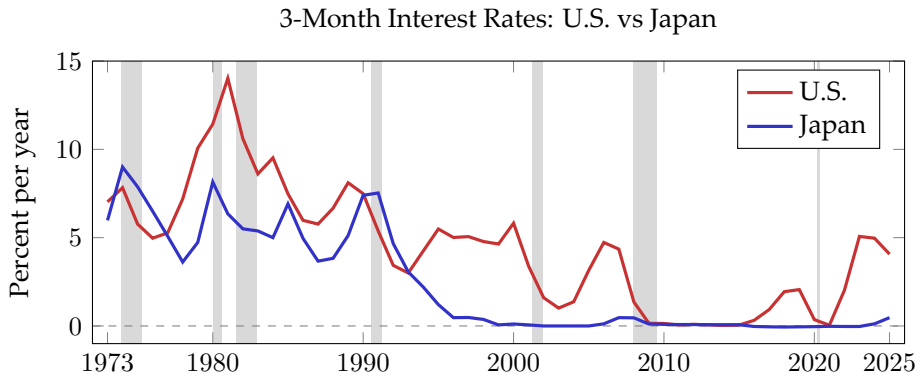
Source: BEA via FRED (NETFI, GDP). Constructed NFW = cumulative current account / GDP.

Global External Imbalances



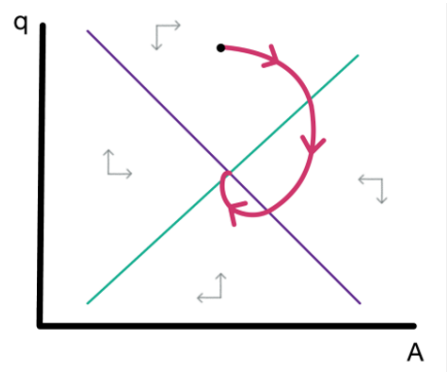
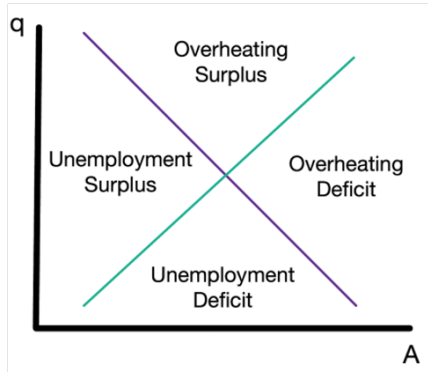
Source: IMF DataMapper API, WEO, indicator BCA (current account balance, billions USD). Rest of world = residual to balance global accounts.

Large Interest Rate Differentials

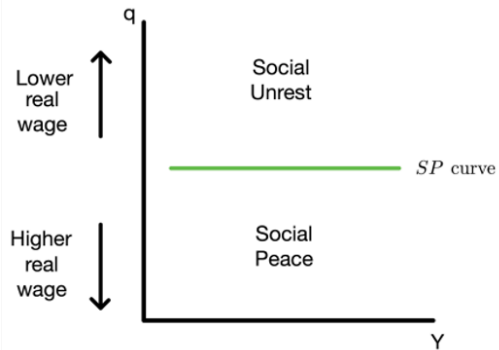
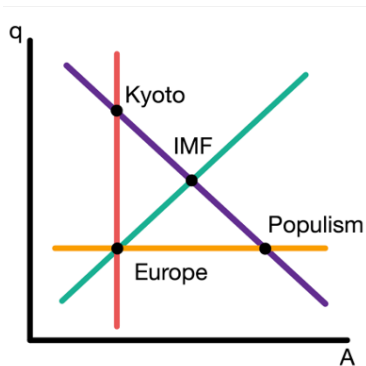


Source: FRED. US: TB3MS (3-month T-bill). Japan: IRSTCB01JPM156N (central bank rate, 1973–84), IRSTCI01JPM156N (call money rate, 1985–present). Annual averages.

Exchange Rate Dynamics



Policy Trade-offs



Takeaways

- **To remember:** International finance connects exchange rates, trade balances, interest rates, and policy choices
- **To do for Friday:**
 - Read the note “Models in Economics”
 - Complete the “Getting Started” module on Canvas