

Preface to the Second Edition

The book is designed to integrate the theory of foreign exchange rate determination and the practice of global finance in a single volume, which demonstrates how theory guides practice, and practice motivates theory, in this important area of scholarly work and commercial operation in an era when the global market has become increasingly integrated.

The book presents all major subjects in international monetary theory, foreign exchange markets, international financial management and investment analysis. The book is relevant to real world problems in the sense that it provides guidance on how to solve policy issues as well as practical management tasks. This in turn helps the reader to gain an understanding of the theory and refines the framework.

This new edition of the book incorporates two new chapters, together with updating most chapters in the first edition, integrating new materials, data, and/or the recent developments in the areas. A new chapter on the portfolio balance approach to exchange rate determination is included, in addition to the major models included in the first edition: the Mundell-Fleming model, the flexible price monetary model, the sticky price monetary model featured by the Dornbusch model and the real interest rate differential model. This makes the book inclusive in exchange rate theories. A second new chapter included is on issues in balance of payments or international transactions and their interactions with exchange rates, changes in exchange rates and exchange rate policies. Rather than presenting the rival approaches alone, the pertinent literature attempting to synthesise them is offered also. Moreover, the approaches arising from the need to address balance of payments issues in a changed international investment environment are developed in the chapter.

Various topics are interlinked so the book adopts a systematic treatment of integrated materials relating different theories under various circumstances and combining theory with practice. The text examines issues in international monetary policy and financial management in a practical way, focusing on the identification of the factors and players in foreign exchange markets and the international finance arena.

The book can be used in graduate and advanced undergraduate programmes in international finance or global finance, international monetary economics, and international financial management. It can also be used as doctorate research methodology materials and by individual researchers interested in international finance

or global finance, foreign exchange markets and foreign exchange rate determination, foreign exchange risk management, and international investment analysis.

Peijie Wang, December 2008

The Economics of Foreign Exchange and Global Finance

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2009, XIV, 432 p. 110 illus., Hardcover

ISBN: 978-3-642-00106-2