

**AN INTRODUCTION TO INTERNATIONAL
MONEY AND FINANCE**

Also by Ramesh F. Ramsaran

**A STUDY OF THE MONETARY AND FINANCIAL SYSTEM OF
THE BAHAMAS**

**THE COMMONWEALTH CARIBBEAN IN THE WORLD
ECONOMY**

**THE CHALLENGE OF STRUCTURAL ADJUSTMENT IN THE
COMMONWEALTH CARIBBEAN**

US INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN

An Introduction to International Money and Finance

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To the memory of my late friend and colleague
Dr Herb C. Addo

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Preface

Developments in communication technology, the liberalisation of world trade and the increasing freedom governing capital movements make it difficult for countries to isolate themselves from global trends in financial and goods markets. With the dissolution of the Soviet Union the international economy today is more international than it has ever been in the post-war period. The debt crisis of the 1980s, the failure of development policies predicated on an array of protectionist devices, and the critical dependence by a large number of countries on external sources for development finance, have encouraged more intensive global cooperation. In light of the moves towards greater openness, actors (governments, corporations and individuals) in the national economy are forced to be more alert to the opportunities and challenges created by the new international setting. Reaction has to be informed; and policies have to respond not only to national needs, but must take account of external realities and perceptions. As the sovereignty of nation states has waned and as physical borders lose their significance, international financial organisations, commercial institutions and market forces have become powerful influences in the world economy. Whatever the discipline or the profession, it is difficult to escape the need to understand these influences and the evolving context in which they operate. The world has shrunk in a real sense.

Events, however, do not carry the same significance for people in different corners of the world. Perspectives and interpretation can differ widely. International money and finance is a large and in some ways a complex field. In writing a book in this area one necessarily has to be selective in terms of focus and the material to be covered. Most of the existing texts in the field are heavy on theory, technical jargon, mathematics and the use of diagrams which can be quite intimidating. In most of them very little attention is paid to the perspectives of developing countries, or the impact of international policy decisions on these countries. Developing countries cover a broad range of states and some of them have moved from positions of insignificance to major actors in the world economy, while others have stagnated or slipped backwards.

The book grew out of a course taught at the Institute of International Relations of the University of the West Indies in Trinidad and is designed to provide a non-technical introduction to a range of people interested in understanding the salient issues and arguments in a rapidly changing and

challenging field. These include aspiring diplomats, business people, under-graduate students entering the field of economics or international business, government officials and policy-makers. Students with or without an economics or social science background will find the text easily readable. The attention paid to policies and practices as well as the structure and functioning of certain multilateral financial institutions is an attractive feature of this book. A number of issues taken up are discussed from a development perspective, and this helps to highlight the position of developing countries in the international economy and their relationship to the industrial countries. The book covers subjects that should be of interest to readers in both developed and developing countries.

The book is divided into nine chapters. Chapter 1 introduces the reader to the broad trends emerging in the international trading and financial system, and this is followed in Chapter 2 by a discussion on trade and payments which is specifically intended for students without an economics background. Chapter 3 outlines the evolution of the International Monetary System, paying particular attention to the workings of the International Monetary Fund (IMF) and the issues surrounding its operations. The functioning of exchange rate markets and the choice of exchange rate regimes is a confusing field, even for graduate students. Chapter 4 presents a detailed discussion on the concepts and issues in this area. International banking is a fast growing industry, and study of this activity is now an integral part of courses in international monetary economics, international business, transnational cooperation and so on. The reader is introduced to the subject in Chapter 5. The debt crisis of the 1980s threatened to destabilise the international financial system, and ushered in a new era of cooperation between governments, bankers and the IMF. Chapter 6 discusses the debt problem and its impact on the international financial system. International development assistance is not normally covered in texts of this kind, but it touches issues which interest students in several disciplines. Chapter 8 which deals with the structure and performance of multi-lateral development institutions is an extension of Chapter 7. The final chapter discusses the growth of foreign private investment and the changing policy framework which is increasingly being influenced by structural adjustment programs and the emphasis being placed on private initiatives as a major element in the market driven paradigm.

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