

Economics 3403 - International Economics and Policy
Fall 2007 – TR 3:30-4:45 - EKLC 1B20

exams, but it will be designed to be completed within an hour and fifteen minutes. The score on the optional final will replace the lowest midterm exam score, but only if this results in an improvement of the overall grade.

OUTLINE AND READING ASSIGNMENTS

Text: Husted, Steven, and Michael Melvin, International Economics, seventh edition (2007). Earlier editions are acceptable substitutes for the seventh, but it is your responsibility to coordinate the pages in your edition with the assigned readings below.

In addition to the reading assignments in the text, I will post on our CULearn site current readings related to the topics of the week. These will be discussed in class as time permits, and all readings will be fair game for the examinations. Each week before Tuesday's class, log on to CULearn and check the week's assignment and readings under the "Readings and Class Notes" module. You may also want to print out any notes posted there for that week's classes, especially graphs that we will work through in class.

I. Fundamentals of International Trade Theory

A. Overview of international economics; recent trends towards globalization; fundamental tools of analysis: chapters 1,2 (pages 1-45). [week of 8/27]

B. Comparative advantage, classical trade theory, the Heckscher-Ohlin model, gains from trade and effects of trade on income distribution: chapters 3-4 (appendices excluded) [weeks of 9/3 and 9/10]

C. Tests and extensions of basic trade model: chapters 3-5. [week of 9/17]

Problem Set 1 Due - Thursday, September 20

Examination I - Thursday, September 27

II. Trade Barriers and Commercial Policy

A. Economic analysis of tariffs; welfare loss from tariffs; effective rate of protection: chapter 6. [week of 10/1]

B. Nontariff barriers; quotas and voluntary export restraints: chapter 7. [week of 10/8]

C. Political and economic aspects of trade restrictions; US commercial policy; the GATT and the World Trade Organization: chapter 8. [week of 10/15]

D. Customs unions and free trade agreements; NAFTA, CAFTA, and the EU: chapter 9. [week of 10/22]

E. Trade policy and economic growth, import substitution and export promotion strategies; multinational corporations: chapter 10. [week of 10/29]

Problem Set 2 Due - Thursday, October 25

Examination II - Thursday, November 1

III. Foreign Exchange Markets and the Balance of Payments.

A. Exchange rate basics; balance of payments accounting: chapters 11, 12; chapter 13 (pages 331-9 and 343-344 only). [week of 11/5]

B. Purchasing power parity (price levels and exchange rates); Interest parity (interest rates and exchange rates): chapter 14; chapter 15 (Pages 369-373). [week of 11/12]

C. Theories of the balance of payments and exchange rates, elasticities approach and the J-curve, absorption approach: chapter 17 (pages 409-422 only). [week of 11/26]

D. Alternative institutions of international finance; gold standard; fixed and flexible exchange rates; Bretton Woods; current monetary arrangements: chapter 19 [week of 12/3]

E. Currency crises; third world debt problems: chapter 16 (pages 396-405); chapter 20 (pages 498-509). [week of 12/10]

Problem Set 3 Due – Thursday December 6

Final Examination – Wednesday, December 19, 7:30-10:00 a.m.