Class Organization

This course provides an analysis of the international economy, the economic theories that help explain it, and analysis of important current issues of international economic policy. The course covers both trade and monetary issues.

The first half of the course uses the theories of microeconomics to study international trade and policy. The classical models of international trade (Ricardian, Specific Factors, Heckscher-Ohlin) and the new trade theories based on scale economies and imperfect competition are presented using simple algebra and graphical analysis. These models form the basis to answering some of the classic questions of international trade theory such as: who trades what with whom? What are the welfare and distribution effects of trade? The first half ends with an examination of empirical evidence of these models.

The second half of the course uses theories of macroeconomics to study international monetary issues. This part of the course starts out with an overview of the balance of payment accounts and open economy income identities. The course then focuses on some of the key topics in open economy macroeconomics such as exchange rates determination, currency valuation, current account balances, and international policy coordination. The course explores the costs and benefits of a common currency (such as the European union) and whether the union is likely to be sustainable or end in a currency crisis.

To save on costs, I am using older editions of textbooks on international economics. Most of the lectures will be based on Paul Krugman and Maurice Obstfeld, *International Economics*, eighth edition, 2009, Addison-Wesley (you can use any edition, newer editions also include Marc Melitz as co-author); a few of the lectures will be based on Robert Feenstra and Alan Taylor, *International Economics*, second edition, 2012, Worth Publishers. All lectures will be posted on blackboard.

Grades will be based on two exams, one research paper and final presentation. The two exams will count 25% each; the paper and presentation will count for 50%. The exams are scheduled for Wednesday, October 4 and Wednesday, November 15. Final presentations will take place during the last week of classes and finals week.
LECTURE SCHEDULE

Lecture 1: Introduction, Chapter 1; World Trade, Chapter 2
Lecture 2: Labor Productivity and Comparative Advantage: Ricardian Model, Chapter 3
Lecture 3: Specific Factors Model
Lecture 4: Resources and Comparative Advantage: Heckscher-Ohlin Model, Chapter 4
Lecture 5: Standard Trade Model, Chapter 5
Lecture 6: Economies of Scale, Imperfect Competition, and International Trade, Chapter 6
Lecture 7: Models of Economic Geography
Lecture 8: International Factor Movements, Chapter 7
Lecture 9: Empirics of International Trade
Lecture 10: Review
Lecture 11: Midterm 1

Lecture 12: National Income Accounting and the Balance of Payments, Chapter 12
Lecture 14: Money, Interest Rates, Exchange Rates, Chapter 14
Lecture 15: Price Levels and Exchange Rate in the Long Run, Chapter 15
Lecture 16: Output and Exchange in the Short Run, Chapter 16
Lecture 17: Fixed Exchange Rates and Foreign Exchange Intervention, Chapter 17
Lecture 18: International Monetary System, 1870-1973, Chapter 18
Lecture 19: Macroeconomic Policy and Coordination under Floating Exchange Rates, Chapter 19
Lecture 20: Optimum Currency Areas and European Experience, Chapter 20
Lecture 21: Review
Lecture 22: Midterm 2

Lectures 23-28: Meetings and Presentations
Final: Final Presentations

Possible Additional Topics
Lecture 22: Global Capital Market: Performance and Policy Problems, Chapter 21
Lecture 23: Developing Countries: Growth, Crisis and Reform, Chapter 22
Lecture 24: Theories of Economic Development
Lecture 25: Institutions and Economic Development

Lecture 26: International Trade Policy, Chapter 8
Lecture 27: Political Economy of Trade Policy, Chapter 9
Lecture 28: Trade Policy in Developing Countries, Chapter 10
Lecture 29: Controversies in Trade Policy, Chapter 11