International Economic Policy
Economics 3403

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Economics 309-A
492-6875
Office Hours: MWF 1:00-2:00 pm

Summer 1992
Econ 13
daily 2:10-3:40 pm


Course Objective

The ultimate goal of this course is to provide students with substantive knowledge and understanding of the intricate workings of the global economy. When the course is finished students should be able to read and to discuss intelligently both popular and technical accounts of current international economic issues. Intelligent discussion often embodies skepticism and a primary task of this course will be to train students to recognize weak or fallacious logic in international economics. First, there is no “right answer” governing, say trade protection or exchange-rate policy but rather costs and benefits of policy choices to be evaluated. Second, policy issues are never as straightforward as they seem. For example, choosing to impose an import quota or to forgive foreign debt has numerous, often unanticipated, economic and political ramifications in the international economy. The hallmark of a well-trained economist is to seek out those ramifications and to incorporate them into the policy discussion. Third, though many international problems are inherently political and must be resolved on those grounds, their resolution will have economic consequences that must be identified. It is hoped that this course will convince students to begin thinking in these broader terms.

It is evident that rigorous policy analysis is impossible without a firm grounding in international economic theory. Thus, the course will contain a substantial dose of economic logic with the primary tool being graphical analysis. Within this framework will be discussed numerous important policy issues, such as the sources of comparative advantage, the effects of trade protectionism, political lobbying for economic ends, the determinants of exchange rates, and the need for international macroeconomic policy coordination.

Despite this rigorous approach; however, the course will encourage open and frank discussion of significant aspects of international economic policy, as time and circumstances permit. Thus, students should get into the habit of “keeping current” on international economics.

Five announced quizzes will be given in the sections and the lowest score of the five will be dropped.

Grading Policy
Two Hour Exams 25% each
Final Exam 30%
Four best quizzes 20%

There Will Be No Make-Up Exams
University standards for academic integrity will be strictly upheld.
Subject

1. Introduction
2. The Classical Models: Production, Consumption and Trade under Constant Costs
3. The Classical Models: Production, Consumption and Trade under Increasing Costs
4. Distribution Effects of Trade
5. Alternative Trade Theories
6. The Tools of Protection
7. The Political Economy of Trade

EXAM 1

8. The World Economy
9. Balance-of-Payments Accounting
10. Exchange Markets
11. The Markets for Goods and Services in an Open Economy

EXAM 2

12. Money and Foreign Exchange in an Open Economy
13. Macroeconomic Policy in an Open Economy under Fixed and Flexible Exchange Rates
14. Exchange Rate Determination

Final Exam     Friday, August 14     2:10 p.m.-3:40 p.m.