
Course Objective: This course plans to provide introduction to preliminary international trade and finance theories. It starts with simple theoretical explanations of why countries trade, and then considers more complex issues like the tariff policy options and their effects on the economy. A small sketch of tariff policy in the U.S. is also considered. The second half deals with the information of the U.S. Balance of Payment accounts, theories of exchange rate determination, effects of exchange rate changes on the economy in general, and macroeconomic policy effects in an open economy setting. A separate handout describes the exact list of chapters to be covered.

The grades would depend upon the absolute performances in five exams including the final. Generally speaking a score of 90% guarantees an A grade, 80% a B grade and 70% a C grade. For whatever reason, if you cannot score half of the total possible points then F grade is unavoidable. This class relies on the background of Principles of Microeconomics and Macroeconomics. Some algebra and a lot of graphs are used to make explanations easier. Since each class provides abundant notes, attendance is mandatory. Asking questions is encouraged and many times is reciprocated. Rules of common courtesy are strictly followed in the class. Do not be late for the class, do not speak to your neighbors when the class is in progress and do not sleep unless advised to do so. Take good notes and be attentive to answer questions if asked. Have a wonderful semester!
List of Chapters to be Covered in International Economics and Policy Class


Topic 2: Chapter 3 and Chapter 4 Comparative Advantage Theory and Ricardian Model, Neoclassical Model of International Trade, Heckscher Ohlin Theorem and Empirical Evidence of Theories.

Topic 3: Chapter 5 Leontief Paradox, and other explanations of trade.

Topic 4: Chapter 6 Theory of Tariff and the Economics Consequences of Import Tariff in Small and Large Country, Optimal Tariff Rate

Topic 5: Chapter 8 Survey of US's import policy, Historical Review of the commercial policy and other considerations.

Topic 6: Chapters 11 and 12 Market for currencies and the foreign exchange market's exchange rate determination and the U.S. balance of payments.

Topic 7: Chapters 13 and 16 Relationship between prices and exchange rate: PPP theory, Elasticities approach and the J Curve Hypothesis

Topic 8: Chapter 20 Goods market and the derivation of the IS curve. Money market in an open economy setting and LM curve. BP curve and Macroeconomic policy effectiveness in open economy.