International Economics is concerned with the application of economic principles to analyze and interpret the economic interdependence among nations. Specifically, it deals with the theory of international trade, the theory of commercial (trade) policy, the foreign exchange market, the balance of payments and the macro effects of autonomous and policy-induced adjustments in the balance of payments. The reading list below is divided into six major topics, and the approximate class period devoted to each section indicated. Further comments will be made about each section as a particular topic is reached. Readings marked with an asterisk are required. The additional readings will either be handed out in class or can be checked out from my office. Since the material tends to build through each topic, it is important that you keep up with the reading and attend class regularly.

Two midterms (100 points each) are planned for the session. The first will cover Section I and Section II, and the second will cover Sections III, IV, V-A and V-B. The Final Exam (150 points) will cover Sections IIIB, IV, V and VI. Further details regarding exams will be discussed in class. In addition, a term paper option (100 pts) is available and will be explained the first day of class.

I. Introduction
   *Appleyard and Field (A&F), Chapter 1 T-1/7

II. The Theory of International Trade
   A. Mercantilism & the Movement to Free Trade R-1/9
      *A&F, Chapter 2
   B. The Classical Theory of Comparative Costs T-1/14
      *A&F, Chapter 3
   C. Extensions of the Classical Model R-1/16; T-1/21
      *A&F, Chapter 4
   D. Micro Review R-1/23
      *A&F, Chapter 5
   E. The Modern Theory of the Basis for Trade T-1/28; R-1/30
      *A&F, Chapter 6
   F. International Terms of Trade and Introduction to Offer Curves T-2/4
      *A&F, Chapter 7
   G. Introduction to the Heckscher-Ohlin Approach to the Basis R-2/6
      For Trade Patterns
      *A&F, Chapter 8

FIRST HOUR EXAM: Tuesday, February 11
III. Contemporary Views on the Basis for Trade
A. Tests and Extensions of Heckscher-Ohlin Theory R-2/13
   Daniel Finn, Just Trading, pp. 204-227.
B. Intra-Industry Trade and New Approaches to the Basis for Trade T-2/18
   James R. Tybout, "International Returns to Scale as a Source of
   Comparative Advantage: The Evidence," American Economic
   Review, May 1993, pp. 440-444.

IV. International Trade and Commercial Policy
A. Intro to Trade Policy-The Small Country Case R-2/20; T-2/25
   "A&F, Chapters 13, 14 (to pp. 262)
B. Trade Policy-The Large Country Case R-2/27
   "A&F, Chapter 14, Cont.
C. The Case for Protection & New Theories of Protection T-3/4; R-3/6
   "A&F, Chapter 15,16, 17
   "HAND-OUT Including:
   G. Hufbauer and K. Elliott, Measuring the Cost of Protection in the
   United States, Institute for Intentional Economics, 1994,
   Chapter 1.
   "American-Firsters have it Backwards," WSJ, January 16, 1996.
   "Carolinians Aren't Protectionists," WSJ, March 1, 1996.
   The Economic Effects of Significant U.S. Import Restraints (second
   Selected Recent Clippings on Current Trade Policy Issues

SPRING BREAK – March 3/7 – 3/16

D. Completion of Trade Policy; Economic Integration T-3/18
   "A&F, Chapter 18; pp. 351-362
   Helene Cooper, “Expert’s View of NAFTA’s Economic Impact: It’s a

V. International Finance & Payments
A. Intro to Balance of Payments R-3/20
   "A&F, Chapter 20
B. Intro to The Foreign Exchange Market T -3/25
   "A&F, Chapter 21

SECOND HOUR EXAM: Thursday, March 27

C. The Foreign Exchange Market, Cont. T-4/1
VI. Balance of Payments Adjustment and Economic Policy

A. The Price Adjustment Mechanism
   A&F, Chapter 24
   T-4/8

B. The Income Adjustment Mechanism (Review)
   A&F, Chapter 25, pp. 565-574.
   (Review your macro models from ECON 10 and/or 130/132.)
   R-4/10

C. Economic Policy Under Fixed Rates
   A&F, Chapter 26, pp. 585-608.
   T-4/15; R-4/17

D. Economic Policy Under Flexible Rates
   A&F, Chapter 27
   T-4/22

E. The International Economic Systems: Fixed vs Flexible Exchange Rates: Course Wrap-up
   M. Feldstein, "Distinguished Lecture on Economics in Government:
   Thinking about International Economic Coordination,"
   R-4/24


**FINAL EXAM: Tuesday, April 29; 8:00 AM**