This course examines the interaction among national economies. This occurs through exchange of goods and services (international trade) and borrowing and lending (international finance). Much of this interaction occurs between countries of differing levels of income and therefore may have consequences for economic growth and development. The class will also examine some of the institutions that mediate international economic relations, such as the World Trade Organization and the International Monetary Fund. A number of related policy issues that will be considered, including tariff policy and foreign exchange market intervention.

The course does not have a required textbook. For those who wish to have a textbook as a reference, *International Economics* by Robert Carbaugh is recommended. We will read significant portions of *Free Trade Under Fire* by Douglas Irwin and *And the Money Kept Rolling In (and Out)* by Paul Blustein. Other readings will be available through Moodle or library reserve. Students are expected to come to class prepared to discuss the assigned readings.

Approximately 4-6 problem sets will be assigned during the semester. Students may work together, but must turn in the assignments individually. Late assignments will not be accepted and no extensions will be granted. Each student’s lowest problem set grade will be dropped from the final grade calculation.

Final grades will be calculated as a weighted average of the grades for problem sets (10%), class participation, including participation on Moodle, (5%), two short writing assignments (5% each) two in-class midterm exams (20% each) and a comprehensive final exam (35%). Midterm exams will not be given late; in the event of a serious illness, family emergency or university-sponsored travel, students may ask, in advance, for permission to take exams early or to have weight added to the final exam grade in place of the midterm. In the event of a perceived mistake in grading, a written explanation should be attached to the exam and submitted within 5 business days after the exams are returned to the class. The final exam is scheduled for Thursday, May 17 at 7:00 pm.

The use of computers and mobile telephones – including for text-messaging – is not permitted in class.

The syllabus and course outline are subject to revisions, which will be announced in class.
International Economics (Economics 270)
Wesleyan University, Spring 2012
Professor: Bill Craighead

Course outline and reading list

“Blustein” refers to Paul Blustein, *And the Money Kept Rolling In (and Out)*, PublicAffairs, 2006
Readings marked (o) are optional

I. International Trade

A. Introduction


B. Comparative Advantage and Ricardian Trade Theory

Irwin, p. 28-50

C. Tariffs and Quotas

Irwin, ch. 3
A. Blumberg, “Sawing Apart Gym Shoes at the Port of Long Beach,” NPR, Jan. 18, 2011

D. The World Trade Organization

*The Economist*, “Dead Man Talking,” Apr. 28, 2011
Irwin, p. 219-244
P. Blustein, *Misadventures of the Most Favored Nations* (PublicAffairs, 2009), chs. 2 and 8
S. Chan, “US and Brazil Reach Agreement on Cotton Dispute,” *New York Times*, April 6, 2010

E. Neoclassical Trade Theory


F. Trade and the Environment

Irwin, p. 58-69; 244-260

G. Preferential Trade Agreements

Irwin, p. 260-269.

H. New Trade Theory

I. Antidumping, Safeguard Tariffs and Countervailing Duties

Irwin, ch. 5

II. International Finance

A. The Balance of Payments


B. “Review” of Money, Monetary Policy, Interest Rates and Inflation

C. Exchange Rates

D. Macroeconomics of the US-China Trade Imbalance

J. Stiglitz, “No Time for a Trade War,” Project Syndicate, April 6, 2010
(o) P. Krugman, “Immaculate Transfer Strikes Again,” Conscience of a Liberal, April 6, 2010

E. Exchange Rates, Monetary Policy and the Macroeconomy in the Short Run

F. Exchange Rates, Monetary Policy and the Macroeconomy in the Long Run


G. Exchange Rate Regimes

J. Frankel, “Gold: A Rival to the Dollar,” Jeff Frankel’s Weblog, Nov. 9, 2010
The Economist, “Beyond Bretton Woods 2,” Nov. 6, 2010

H. International Financial Crises and the IMF

Blustein, chs. 1-3, 5-9
I. The Euro Crisis


Spiegel Online, “Germany’s Central bank Against the World,” Nov. 15, 2011

II. Economic Growth and Development

A. Measuring Income and Income Growth


B. Growth Theory

C. Institutions, Foreign Aid and Growth


D. Trade, Development and the “Washington Consensus”

Irwin, ch. 6
H. Chiang, Bad Samaritans (Bloomsbury, 2008), ch. 2