

# **International Economics (GSPIT 713)**

**Spring 2017**

**Prof. Tae Hwan Yoo**

## **Class Meets**

MW, 3:00-4:15 p.m., Room 208, International Studies Building

## **Contact Information**

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KLAS (Kyung Hee Learning Archive System): <https://klas.khu.ac.kr/>

## **Course Description**

This course will introduce both microeconomic and macroeconomic issues relevant to the economic relations among countries. The first 7 weeks of the course deals with microeconomic issues of international trade such as i) why countries trade, ii) how the gains from trade are distributed, iii) trade policy including trade barriers and preferential trade agreements, and iv) trade and growth. For the following 7 weeks, we investigate issues in international finance and open-economy macroeconomics including i) balance of payments equilibrium and adjustment, ii) foreign-exchange market and exchange rates, iii) theories of the current account, and iv) open-economy macroeconomics.

## **Textbooks**

Husted, S. and M. Melvin, *International Economics* (HM for short), 9<sup>th</sup> edition, Prentice Hall, 2012.

## **Supplementary Reading**

Mankiw, N. G., *Principles of Economics* (POE for short), 8<sup>th</sup> edition, Cengage Learning, 2017.

Frank, R., B. Bernanke, K. Antonovics and O. Heffetz, *Principles of Economics*, 6<sup>th</sup> edition, McGraw-Hill Education, 2015.

Feenstra, Robert C., *International Economics*, 3<sup>rd</sup> edition, Worth Publishers, 2014. (This book provides more complete analytical treatments of international economic issues for motivated

students.)

## **Course Grades**

Grades will be based on the homework/quizzes, midterm and final exam with attendance, participation and/or a term paper. Students are required to take exams and quizzes on the scheduled time. No makeup exams will be given. The final grade for the course consists of i) 10% of attendance, class participation and homework/quizzes mark, ii) 40% of the midterm exam mark and iii) 50% of the mark for the comprehensive final exam and/or a term paper (including a presentation).

## **Course Outline**

### **Week 1: Microeconomic Foundations of International Economics**

- A. Consumer's Behavior and Utility Maximization
- B. Producer's Behavior and Profit Maximization
- C. A Country's Point of View and Summary

Reading: POE Ch. 3, 5, 7, 9, 13, 14 and 21

### **Week 2: An Introduction to International Trade and Tools of Analysis**

- A. The Pattern of World Trade
- B. The Basic Model: Assumptions and Solutions
- C. Measuring National Welfare
- D. National Supply and Demand

Reading: HM Ch. 1 and 2

### **Week 3: The Classical Model of International Trade**

- A. The Concepts of Absolute Advantage and Comparative Advantage
- B. The General Equilibrium Solution of the Classical Model
- C. The Gains from Trade
- D. An Evaluation of the Classical Model

Reading: HM Ch. 3

### **Week 4: The Heckscher-Ohlin Model**

- A. The HO Model and Theorem
- B. Equilibrium in the HO Model
- C. Some New HO Theorems

Reading: HM Ch. 4

**Week 5: International Trade Policy: Tariffs and Nontariff Barriers**

- A. Basic Tariff Analysis
- B. Costs and Benefits of a Tariff
- C. Quotas and Welfare Effects
- D. Other Nontariff Barriers and Arguments for Protection

Reading: HM Ch. 6 and 7

**Week 6: Commercial Policy and Preferential Trade Arrangements**

- A. The Uruguay Round the Creation of the WTO
- B. The Conduct of US Commercial Policy
- C. Economic Analysis of Trade Agreements
- D. Regionalism versus Multilateralism

Reading: HM Ch. 8 and 9

**Week 7: Trade and Economic Growth**

- A. The Economic Analysis of Trade Agreements
- B. Trade and Development
- C. Trade and Growth
- D. International Flows of Factors

Reading: HM Ch. 10

**Week 8: Midterm Exam**

More details will be announced later.

**Week 9: The Balance of Payments**

- A. Introduction to Balance of Payments Accounting
- B. Measures of the Balance of Payments
- C. Transactions Classifications
- D. Balance of Payments Equilibrium and Adjustment

Reading: HM Ch. 11

**Week 10: The Foreign Exchange Market**

- A. Spot Rates and Forward Rates
- B. Arbitrage

- C. The Futures Market and Foreign Currency Options
- D. The Foreign Exchange Market and the Balance of Payments

Reading: HM Ch. 12

**Week 11: Exchange Rates in the Short Run and in the Long Run**

- A. Exchange Rates Behavior
- B. Uncovered Interest Rate Parity
- C. Expected Exchange Rates and the Term Structure

Reading: HM Ch. 14

**Week 12: Exchange Rates in the Long Run**

- A. Exchange Rates and Prices in the Long Run: Purchasing Power Parity Theory
- B. Uses and Tests of Purchasing Power Parity
- C. The Monetary Approach to Exchange Rates

Reading: HM Ch. 15

**Week 13: Theories of the Current Account**

- A. The Elasticities Approach to the Current Account
- B. Elasticities and J Curves
- C. The Evidence from Devaluations
- D. The Absorption Approach
- E. The Intertemporal Model

Reading: HM Ch. 16

**Week 14: Open-Economy Macroeconomics**

- A. Modeling the Macroeconomy
- B. Internal and External Balance
- C. International Policy Coordination

Reading: HM Ch. 17

**Week 15: Comprehensive Final Exam**

More details will be announced later.