1 Course Objective

The aim of this course is to provide you with the tools to analyze current international trade and finance issues. The first part of the course will focus on trade. Why do countries trade? Are countries better off because they trade? Is trade a zero-sum game? Who gains and who loses within an economy? The second portion of the semester we will then turn to the financial side of trade. By gaining an understanding of interest rates, exchange rates and asset prices in the global economy one can begin to try and tackle many challenging economic questions. What are the causes and consequences of trade deficits and external imbalances? What causes a currency, banking and financial crises and why are emerging markets particularly susceptible? If a crisis occurs what is the optimal response and how can we reform the international financial architecture to ensure these crisis do not occur?
2 Readings

Required Texts: Krugman & Obstfeld "International Economics". Russell Roberts, "The Choice". Additional readings will be assigned throughout the semester and posted on my web site.

3 Problem Sets

There will be approximately four problems assigned for each chapter we cover. I will hand out and post on my website all the problem sets.

4 Economic Briefs

There will be five (8 page) economic briefs assigned throughout the semester. You will work on the brief in assigned groups of four. Half a letter grade will be deducted each day the paper is late (a weekend counts as two days.) A late paper is one that is received after 3pm the day it is due.

5 Testing

The course is divided into two mini courses: first, international trade and second, international finance. There will be a test and an exam for each mini course. The international trade test will be on 9/19/12 and the exam will be on 10/12/12. The international finance test will be announced later and the exam will be during the final exam periods. During midterms and the final students may not use their calculator in text mode. If you cannot attend a test/exam for a legitimate reasons, please coordinate with me before the test/exam occurs to schedule an alternate exam. If you simply do not show, you will receive an automatic zero.

6 Assessment

- International Trade Test (9/19/12): 10%
- International Trade Exam (10/12/12): 20%
- International Finance Test (TBA) 10%
- International Finance Exam (TBA): 20%
• Problem Sets/Power Point Presentations: 10%
• Economic Briefs 25%.
• Class Participation (Being inquisitive, thoughtful, and respectful of your colleagues ideas) 5%

7 Tentative Class Schedule

7.1 Classical Trade Theory
• Week One "The Choice: A Fable of Free Trade and Protectionism"
• Week Two Krugman & Obstfeld Chapters 1 & 2
• Week Three Krugman & Obstfeld Chapter 3
• Week Four Krugman & Obstfeld Chapter 4
• Week Five Krugman & Obstfeld Chapter 4
• Week Six Krugman & Obstfeld Chapter 5

7.2 Current Issues in Trade Policy
• Week Seven Krugman & Obstfeld Chapters 8 & 9
• Week Eight Krugman & Obstfeld Chapters 8 & 9

7.3 Overview of the World Economy
• Week Nine Why do countries run current account deficits? Krugman & Obstfeld Chapters 12 & 13

7.4 Exchange Rates and Economic Crisis
• Week Ten How are exchange rates determined? Krugman & Obstfeld Chapters 14 & 15
• Week Eleven Are certain exchange rate regimes vulnerable to economic crisis? Krugman & Obstfeld Chapters 15 & 17
7.5 Exchange Rates and Output

- *Week Twelve* How does government policy impact exchange rates? Krugman & Obstfeld Chapter 16

- *Week Thirteen* How does exchange rate policy impact output? Krugman & Obstfeld Chapters 16 & 19

7.6 Current Policy Issues

- *Week Fourteen* When the US sneezes does the rest of the world catch a cold? Krugman & Obstfeld Chapter 19

- *Week Fifteen* What are the benefits of a currency zone? Krugman & Obstfeld Chapter 20

7.7 International Finance Project

- *Week Sixteen* Working with Data