International Economics (Economics 270)
Wesleyan University, Fall 2013

Professor: Bill Craighead
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Office: 330 PAC
Office hours: Monday 1:00-2:00 pm; Tuesday, 1:00-3:00 pm; and by appointment

Course meets Monday and Wednesday, 2:40-4:00 pm, in PAC 125

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 (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 Wednesday, Dec. 11 at 2:00 pm.

Students requiring disability accommodations should request them through disability resources (Dean Patey) at the beginning of the semester.

Trust and honesty are vital to the functioning of an academic community; adherence to the Honor Code is expected at all times.

Use of computers, mobile phones etc., – including for text-messaging – is not permitted in class.

The syllabus and course outline are subject to changes, which will be announced in class.
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
Irwin, p. 219-244
P. Blustein, Misadventures of the Most Favored Nations (PublicAffairs, 2009), chs. 2 & 8
The Economist, “The Other Conclave,” Mar. 16, 2013
S. Chan, “US and Brazil Reach Agreement on Cotton Dispute,” New York Times, Apr. 6, 2010

E. Neoclassical Trade Theory

F. Trade and the Environment
Irwin, p. 58-69; 244-260
L. Wallach and P. Woodall, Whose Trade Organization? (New Press, 2004), ch. 1

G. Preferential Trade Agreements
Irwin, p. 260-269
J. Bhagwati, Termites in the Trading System (Oxford UP, 2008), ch. 3
II. International Finance

A. The Balance of Payments


J. Stiglitz, “No Time for a Trade War,” Project Syndicate, Apr. 6, 2010


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, Apr. 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


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 and its Crisis
   G. Soros, “Germany’s Choice,” *Project Syndicate*, Apr. 9, 2013
   K. Rogoff, “Europe’s Lost Keynesians” *Project Syndicate*, May 23, 2013

III. Economic Growth and Development

A. Measuring Income and Income Growth

B. Growth Theory

C. Institutions and Growth

D. Trade, Development and the (former) “Washington Consensus”
   Irwin, ch. 6
   H. Chiang, *Bad Samaritans* (Bloomsbury, 2008), ch. 2