

Economics 130  
SURVEY OF INTERNATIONAL ECONOMICS  
Spring 2009  
(Prerequisite: Economics 101)

Prof. Dennis Appleyard (deappleyard@davidson.edu), Chambers 2288, 704-894-2294  
Office Hours: MTWR 10:30 a.m.-12:30 p.m.

Text: Robert J. Carbaugh, *International Economics*, 12<sup>th</sup> ed., South-Western/Cengage Learning, 2009.

This course focuses on three major areas of economics: (1) international trade theory and policy; (2) international monetary theory and policy; and (3) the economics of the developing countries. Sections II-V of the course deal with trade theory and policy – we investigate the gains to countries from engaging in international trade, the determinants of trade patterns, different policy instruments for interfering with free trade, and economic integration arrangements such as free trade areas. Sections VI-IX deal with international monetary theory and policy – we consider the balance of payments (BOP) and exchange rates, the relationships between the BOP, exchange rates, and macroeconomic activity, the use of monetary and fiscal policy in an open economy, and the nature of the international monetary system. Finally, Sections X-XIII address problems of the developing countries – we look at general characteristics of these countries, theories and strategies of development, the role of trade in stimulating or retarding development, the debt problem of the developing countries, and the potential effects of foreign investment and foreign aid on development. The overall objective of the course is that, by the end of the semester, each student will have acquired a better understanding of theories, problems, and policies as they pertain to the increasingly-interdependent world economy.

The reading list/outline below indicates the specific topics and reading assignments for the course and the planned schedule. The reading material other than from the Carbaugh text is on Reserve and Electronic Reserve. There are two Reviews (100 possible points each) scheduled for the semester. The First Review will be given on **Thursday, February 19**, and it is expected to cover Sections I-V of the course. The Second Review will be given on **Thursday, April 2**, and it is expected to cover Section VI-IX of the course. The self-scheduled Final Exam (150 possible points) is cumulative. As with the Reviews, it will contain multiple-choice questions, one or more quantitative problems, and essay questions. In addition to taking the Reviews and the Final Exam, each student will prepare a short “case study” paper (6-8 pages, 100 possible points) on a country of the student’s choice. More details on this “case study” or “country profile” paper (which is due on **Tuesday, April 21**) will be provided in class. Students are expected to attend class regularly, but there is no formal penalty for missing class. The Honor Code is in effect throughout the course.

I. Introduction - January 13

Carbaugh, Chapter 1.

II. Historical Background; Classical Trade Theory - January 15, 20

Carbaugh, pp. 29-45, 50-63.

Dennis R. Appleyard, Alfred J. Field, Jr., and Steven L. Cobb, *International Economics*, 6<sup>th</sup> ed., Chapters 2, 3, and pp. 47-49.

Robert L. Thompson, "Globalization and the Benefits of Trade," *Chicago Fed Letter*, March 2007, pp. 1-4.

III. Modern Trade Theory: Gains from Trade, Reciprocal Demand, and the Terms of Trade  
- January 22, 27

Carbaugh, pp. 45-49, 64-66.

Dennis R. Appleyard, Alfred J. Field, Jr., and Steven L. Cobb, *International Economics*, 6<sup>th</sup> ed., Chapters 6 (excluding the appendix) and Chapter 7 (excluding the two appendixes).

William Poole, "A Perspective on U.S. International Trade," Federal Reserve Bank of St. Louis *Review*, March/April 2004, pp. 1-7.

IV. The Heckscher-Ohlin Theorem; Wage Inequality; Post-Heckscher-Ohlin Trade Theories - January 29, February 3

Carbaugh, Chapter 3 (including the "Exploring Further" appendix).

Dennis R. Appleyard, Alfred J. Field, Jr., and Steven L. Cobb, *International Economics*, 6<sup>th</sup> ed., pp. 173-182, 191-195.

"Smaller Shares, Bigger Slices," *The Economist*, April 7, 2007, p. 76.

V. Trade Policy - February 5, 10, 12, 17

Carbaugh, Chapters 4, 5 (excluding the two "Exploring Further" appendixes), 6 (including the "Exploring Further" appendix), and pp. 265-280, 284-295.

"Barriers to Entry," *The Economist*, December 18, 2008 pp. 1-2 (from [www.Economist.com](http://www.Economist.com)).

**THURSDAY, FEBRUARY 19 – FIRST REVIEW**

VI. Balance-of-Payments Accounting - February 24

Carbaugh, Chapter 10.

Dennis R. Appleyard, Alfred J. Field, Jr., and Steven L. Cobb, *International Economics*, 6<sup>th</sup> ed., pp. 459-468.

VII. The Foreign Exchange Market and Exchange-Rate Determination - February 26,  
March 10, 12

Carbaugh, Chapter 11 (including the "Exploring Further" appendix) and pp. 398-417.

Dennis R. Appleyard, Alfred J. Field, Jr., and Steven L. Cobb, *International Economics*,

6<sup>th</sup> ed., pp. 498, 500-507 (section on “The Link between the Foreign Exchange Markets and the Financial Markets”).

“The Resilient Dollar,” *The Economist*, October 2, 2008, pp. 1-3 (from [www.Economist.com](http://www.Economist.com)).

“Sandwiched,” *The Economist*, July 24, 2008, pp. 1-4 (from [www.Economist.com](http://www.Economist.com)).

VIII. Balance-of-Payments Adjustment Mechanisms; Open-Economy Macro Policy - March 17, 19, 24

Carbaugh, Chapters 13 (including the “Exploring Further” appendix), 14 (excluding the “Exploring Further” appendix), and 16.

Olivier Blanchard, “Cracks in the System,” *Finance and Development*, December 2008, pp. 8-10.

Robert J. Carbaugh, *International Economics*, 10<sup>th</sup> ed., pp. 474-481 (on Reserve and Electronic Reserve).

IX. The International Monetary System; Fixed vs. Flexible Exchange Rates - March 26, 31

Carbaugh, pp. 464-467, 472-497, 514-526.

Alan M. Taylor, “Global Finance: Past and Present,” *Finance and Development*, March 2004, pp. 28-31.

“The Global Slumpometer,” *The Economist*, November 6, 2008, pp. 1-3 (from [www.Economist.com](http://www.Economist.com)).

**THURSDAY, APRIL 2 – SECOND REVIEW**

X. Characteristics of Developing Countries - April 7, 9

Peter Hess and Clark Ross, *Economic Development: Theories, Evidence, and Policies*, pp. 3-20, 37-49, 89-96, 227-231, 256-261, 323-332, 388-392.

Klaus Deininger and Lyn Squire, “Economic Growth and Income Inequality: Reexamining the Links,” *Finance and Development*, March 1997, pp. 38-41.

Masood Ahmed, “The Next Frontier,” *Finance and Development*, September 2008, pp. 9-14.

XI. Theories and Strategies of Development - April 16, 21, 23

Peter Hess and Clark Ross, *Economic Development: Theories, Evidence, and Policies*, pp. 96-105.

Gerald M. Meier and Robert E. Baldwin, *Economic Development: Theory, History, Policy*, pp. 25-34, 46-56, 101-112.

“Malthus, the False Prophet,” *The Economist*, May 15, 2008, pp. 1-3 (from [www.Economist.com](http://www.Economist.com)).

Simon Johnson, Jonathan D. Ostry, and Arvind Subramanian, “Levers for Growth,” *Finance and Development*, March 2006, pp. 28-31.

**TUESDAY, APRIL 21 – “CASE STUDY” PAPERS DUE**

XII. Trade Problems and Trade Policies of Developing Countries; The External Debt Problem - April 28, 30

Carbaugh, Chapter 7 and pp. 526-530.

Amelia Santos-Paulino and A.P. Thirlwall, "Trade Liberalisation and Economic Performance in Developing Countries – Introduction," *The Economic Journal*, February 2004, pp. F1-F3.

Dennis R. Appleyard, Alfred J. Field, Jr., and Steven L. Cobb, *International Economics*, 6<sup>th</sup> ed., pp. 443-451.

XIII. Foreign Investment and Foreign Aid – May 5

Peter Hess and Clark Ross, *Economic Development: Theories, Evidence, and Policies*, pp. 494-505.

"Promises, Promises," *The Economist*, July 10, 2008, pp. 1-3 (from [www.Economist.com](http://www.Economist.com)).

**SELF-SCHEDULED FINAL EXAM**