



Econ 380:
Survey of International
Economics
Fall, 2001
Introduction to the Course

Course Introduction

- 2 parts to International Economics
- International Trade = International Microeconomics
 - International Finance = International Macroeconomics

Main Questions of International Trade

- Why do countries trade?
- What goods do countries trade?
- What are the "gains from trade"?
- How does trade affect jobs/wages?
- How does trade affect the environment?

Main Questions of International Trade (cont)

- Should trade be regulated?
- What are the mechanisms used to regulate trade?
- How does capital/labor flow between countries?
- How do international trade agreements function?

Main Questions of International Finance

- What is the balance of payments?
- What determines exchange rates?
- How do exchange rates affect prices and interest rates?
- How do international monetary systems work?

Main Questions of International Finance

- How does the open macroeconomy work?
- What explains foreign direct investment flows?
- What are the functions of the IMF, World Bank, and what are all the riots about?

Measuring Participation in Global Trade

These are some definitions and tools we will use when examining global trade participation:

- GDP vs GNP
- Exports
- Imports
- Index of Openness
- Intermediate vs. Final Goods Trade

Measuring Participation in Global Trade

Some questions to answer when examining global trade participation:

1. How do we measure a country's participation in global trade?
2. What is economic growth, and how and why does this differ across countries? Does this affect trade participation?
3. Does the importance of trade differ across countries?
4. Why have global trade flows increased?

Figure 1.01 – World Exports and Output in Real Terms, 1950-97

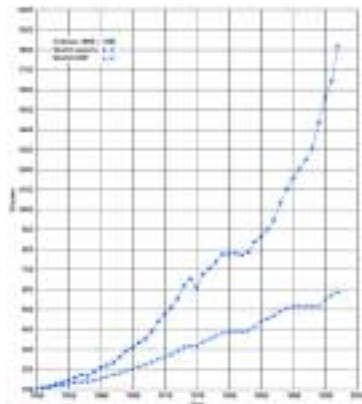


Figure 1.02a Geographic pattern of merchandise trade: 1965



Figure 1.02b Geographic pattern of merchandise trade: 1997



Measuring Participation in Global Trade

5. Who trades with whom? Why do these countries trade?
6. What goods are traded?
7. What do we know about trade in services?

Trade Tools

Objectives:

1. Learn the tools required to examine international trade theories
2. Refresh topics learned in introductory courses
3. Use new tools to examine basic trade theory: Comparative Advantage

Terms/Tools Required to Study Trade Theory

- Economic Model
- Positive/Normative Analysis
- Relative and Nominal Prices
- Production Possibilities Frontier/Curve
- Indifference Curves
- Autarky (“No Trade”)

More Trade Theory Terms

- Supply/Demand Elasticity
- Consumer/Producer Surplus
- Welfare
