This course deals with the reasons for international exchanges of goods and services, policies to regulate trade, foreign exchange rates, and the relations between trade and the whole economy. Special emphasis will be on the current problems and policies of the USA in the global economy. No mathematics will be used.

This course fulfills part of the Kelley School’s international requirement.

**Prerequisite:** E201 and E202, or their equivalents at other institutions.

**Grading:** As practiced in most intermediate and advanced Economics courses, grading will be about half A’s or B’s, the rest C’s or below.

Lectures will emphasize the most difficult parts of each week’s reading—be there. No one should expect an A or B without regular attendance. Each of two mid-term hour exams will count 20%; the final will count 35%. The best six of your seven homework assignments, if submitted on time, will count 15%. Class participation will count 10%.

Please do not use cell phone or laptops in class; they bother other students.


**Warning!** Plagiarism is the unacknowledged quotation of others’ work. Plagiarism is a serious academic violation and will be penalized with an “F” for the entire course.

**Schedule:**

Week 0: (Tuesday, August 24 and Thursday, August 26) Introduction
     DS, chapter 1.

Week 1 (Tuesday, Aug. 31): What do we need to explain?
     DS, chapter 2.

Week 2: What is comparative advantage?
     DS, chapter 2 (continued) pp. 31-49. [but always read the summaries!]
     **Thursday: no class, Jewish New Year**
     *Homework #1 due September 14. Assignment to be announced in class.*

Week 3: The basic reasons for international trade: differences in technology or tastes
     DS, chapter 3, pp. 57-78 only.
     *Homework #2 due September 28*

Week 4: Endowments, Growth, and the Environment
     DS, chapter 4, pp. 82-110.
Week 5: **Tuesday (September 28): Hour Exam #1** on chapter 1-4 and classwork.
Protectionism by tariffs
*Homework #3 due October 12.*

Week 6: Protectionism continued
DS, chapter 5 (continued), chapter 6 (pp. 140-166)

Week 7: Economic Development—does trade always help?
DS, chapter 7 (pp. 175-190 only), and chapter 8 (pp. 201-223)
DS, chapter 9, including appendices.
*Homework #4 due October 21.*

Week 8: Movements of labor and capital, multi-national corporations
Tuesday, fall break—no class
**Thursday, October 21: Hour Exam #2** on chapters 5-9 and classwork.

Week 9: Balance of payments
DS, chapter 10, pp. 259-78.
*Homework #5 due November 9.*

Week 10: Foreign exchange markets

Week 11: How are exchange rates determined?
DS, chapter 12, pp. 312-331.
*Homework #6 due November 18.*

Week 12: Macroeconomic adjustments with flexible or fixed exchange rates
DS, chapter 13, pp. 337-360, plus appendix.

Week 13: Macroeconomic policies for better adjustment
DS: chapter 14, pp. 368-388.
*Homework #7 due November 23.*

Week 14: Should we stabilize the dollar?
DS: chapter 15, pp. 397-404 and 416.
**Thanksgiving vacation, Thursday, Nov. 25—no class.**

Week 15. What should we do about our broken international monetary system?
DS: chapter 16, pp. 424-37, 446-50 only.

**Final exam:** Dec. 16, 3:30-5:30 p.m. Comprehensive, with emphasis on weeks 9-15.
Write down the names and contact information of one or two fellow students, in case you must be absent at a class:

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