

ECO 3703, International Economics

International Economics is split between microeconomics and macroeconomics. This course is mainly on the micro side, but we'll start on the macro side. The first big topic is the Current Account (or, more generally, Balance of Payments accounts). The current account is Exports minus Imports (also some other things). During most of the last decade, the US Current Account got more and more negative, meaning that imports have risen relative to exports. How does one explain this and what does it matter?

After that, we'll spend the rest of the first few weeks looking at the causes and effects of four types of international trade. For example, why do countries export and import what they do (why the US, for example, went from being a big exporter of steel, cars, and other heavy industrial goods to being an importer)? What are the effects of this trade on the countries involved (do the benefits of being able to consume imported cars and steel outweigh the losses of jobs in those two industries)? How does this trade influence the incomes of different people within the country? Outsourcing fits here too.

The next major topic is trade policies, such as tariffs (taxes on imports), quotas (numerical limits on imports), and Voluntary Export Restraints. What are the effects of these policies on wages, employment, and the general welfare of the country and the world? What are the costs and benefits of tariffs and other trade barriers? Also, which types of industries get this protection (why, for example, does the US have big trade barriers on imports of sugar and orange juice, but almost no restrictions on imports of cars?). Another important recent issue concerns the effects of the WTO (World Trade Organization).

Later on, the topics are free trade agreements (such as the North American Free Trade Area or the European Union) and immigration--what are the main effects? We will also look some at exchange rates. The exchange rate is just the rate at which you can exchange dollars for Japanese Yen (or other currencies). It's the price of money. During the last part of the 1990's, the dollar generally rose relative to other currencies. But since 2002, it has been falling by up to one third. What causes changes in the exchange rates and why do they matter? And what policies do countries use to influence exchange rates?