Course Objectives

Most of the courses you have already taken in Economics deal with a closed economy. In this course, you are dealing with an open economy. International economics deals with the economic interdependence among nations. It analyzes the flow of goods, services and payments between a nation and the rest of the world, the policies directed at regulating this flow and their effect on the nation's welfare.

The course shall be divided into the major parts indicated below, each part covering several topics. The bigger part of the course deals with trade theory, not with international monetary economics, and assumes good grasp of intermediate macroeconomics and intermediate microeconomics. Graphs will be extensively used.

Textbook and Readings:
The textbook is Dominick Salvatore, International Economics, 9th edition published 2004. Other readings will be put on reserve from time to time.

Exams and Papers
There shall be three exams, including the final. A term paper will be required and will utilize quantitative techniques under the guidance of the professor.

Grades
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<tr>
<td>First exam</td>
<td>15%</td>
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<tr>
<td>Midterm (Second exam)</td>
<td>30%</td>
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<td>Final Exam</td>
<td>30%</td>
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<tr>
<td>Term Paper</td>
<td>20%</td>
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<tr>
<td>Class Participation</td>
<td>5%</td>
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N.B.
Students attention is drawn to the section on: "Class Attendance" in the University Catalog wherein it is made clear that the Professor is entitled to give an "F" grade for the course if a student is absent for six times in a course such as this one that meets twice weekly.
Course Outline

PART I: TRADE THEORY

Introductory Lecture
Mercantilist theory of trade

Comparative costs in Ricardo
Comparative costs: dropping the assumptions

Trade theory: Later ideas
The terms of trade (Mill and Marshall)
The terms of trade (Various concepts)

Implications of free trade and the theory of the Second Best
The theory of the Second Best (Cont’d)

PART II: PROTECTION

The tariff: Its effects
The new theory of effective protection

Exchange controls and quantitative restrictions
Spurious arguments for protection

The offer Curve and its applications

The infant industry argument
The terms of trade argument
Other arguments: Full employment and balance of payments

Protection and underdeveloped economies
The optimum tariff
PART III: TRADE THEORY AND SOME MACRO VARIABLES IN THE ECONOMY

Growth and trade (the Hicks approach)
Growth and trade (cont’d)
Trade and Growth

A note on trade and welfare

PART IV: THE BALANCE OF PAYMENTS AND THE THEORY OF EXCHANGE RATES

Introduction to balance of payments theory
Income changes and the balance of payments

The exchange rate (flexible and fixed)
Devaluation in partial equilibrium analysis
Devaluation (cont’d)
International and external balance

International monetary reform

PART V: GLOBALIZATION

(I) Egypt and WTO
(II) Egypt and Transnationals