

# Understanding of International Economic Relations

**Professor: Rhee, Yeongseop**

**Class hours: Tuesday 9:00-12:00, GSIS 140-1 Room 101**

**Office hours: Tuesday 2:00-3:30 or by appointment**

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## **Course Description:**

This course introduces the main concepts and methods of international economics and illustrates them with applications drawn from the real world. As the world economy continues to globalize, international economic issues grow in importance and complexity, creating many new challenges for international economic relations.

The first part of the course is an introduction to international trade theory. In this part, we spend most of classes in exploring the theoretical foundations of international trade, focusing on why nations trade, what they trade, and in what sense international trade is beneficial to trading countries. Also considered will be trade policies and the institutions that determine trade policy. The second part is an introduction to the theoretical foundations of international finance. This part will cover the basics of the international macroeconomics, focusing on why the balance of payments is important to the national economies, how the exchange rates are determined, and how open macroeconomic policies are undertaken. Also considered will be policy coordination among countries under alternative exchange rate systems.

## **Course Outline:**

The main textbook is P. Krugman and M. Obstfeld, *International Economics: Theory and Practice* (8th ed. 2009 or 9th ed. 2010). Students are recommended to read other materials to keep up current developments in international economic theories and international economic relations.

This course will mainly be composed of regular lectures on basic concepts and related issues

of the class schedule. But students are encouraged to actively participate in the class and any questions regarding the class materials or other relevant issues are welcomed.

**Evaluation:**

- Class attendance and participation: 10%
- Weekly quiz: 20%
- Mid-term and Final exams: 70%

**Course Schedule:**

Week 1: Introduction,

ch.1 – ch.2

Week 2: Labor Productivity and Comparative Advantage: Ricardian Model

ch.3

Week 3: Resources and Comparative Advantage: The Heckscher-Ohlin Model

ch.4

Week 4: The Standard Trade Model

ch.5

Week 5: New Trade Theory: Economies of Scale

ch.6

Week 6: Traditional Trade Policy

ch.8

Week 7: Trade Policy in LDC / Political Economy of Trade Policy

ch.9 – ch.11

Week 8: Midterm Exam

Week 9: National Income Accounting and the Balance of Payments

ch.12

Week 10: Exchange Rates and the Foreign Exchange Market

ch.13

Week 11: Relations among Money, Interest Rates and Exchange Rates

ch.14

Week 12: Price Levels and Exchange Rates in the Long Run

ch.15

Week 13: Output and Exchange Rate in the Short Run

ch.16

Week 14: Exchange Rate System: Fixed vs. Floating

ch.17 – ch.19

Week 15: Final Exam

(\* skip ch.7, ch.20 – ch.22)