

THE UNIVERSITY OF ILLINOIS AT CHICAGO
ECON 333: International Economics
SPRING 2004

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Office Hours:
Tue & Thu, 11:00-12:00
and by appointment

Required Texts:

R.E.Caves, J.A.Frankel, and R.W.Jones, *World Trade and Payments*, 9th edition, Addison Wesley, 2002.
P.DeGrauwe, *The Economics of Monetary Integration*, 3rd edition, Oxford, 1997.

Overview:

The principal aim of this course is to introduce the student to International Economics at the intermediate level. The basis for the course is a combination of the required textbooks and the class notes. Regarding the exams, you will be responsible for everything covered in the lectures. Should you miss a lecture, try to borrow a colleague's notes; usually, however, this is a poor substitute. You must also make sure that you have all the handouts distributed in class.

Grading Procedure:

One midterm (M, 30 points), a comprehensive final (F, 50 points), and two homework sets (H1 and H2, 10 points each) will be assigned. Your score will be based on the following simple algorithm:

If $F \# H1+M+H2$ then $SCORE = H1+M+H2+F$, but
if $F > H1+M+H2$ then $SCORE = 2F$.

Therefore, students who show a clear improvement on the final will have their midterm and homework scores discarded and their grade will be based on the final score only. This means that you can only gain by taking the midterm and turning in the homeworks. However, all students must take the final exam. No make-up exams will be offered - the only exception being a documented medical problem.

To summarize:

<u>Assignment</u>	<u>Points</u>
Homework 1	10
Midterm	30
Homework 2	10
Final	<u>50</u>
	100

Broad Outline: (asterisks denote the most important material; CFJ: Caves, Frankel, and Jones chapter number; DG: DeGrauwe chapter number.)

I. INTERNATIONAL TRADE

- * 1. International Trade of Commodities (CFJ, 2)
- 2. Introducing Production (CFJ, 3)
- * 3. Some Applications (CFJ, 4)
- * 4. Absolute and Comparative Advantage (CFJ, 5)

{Homework 1}

- 5. Heckscher-Ohlin Theory (CFJ, 7)
- * 6. Trade Policy (CFJ, 10, 14)

{Midterm}

II. INTERNATIONAL MACROECONOMICS

- * 7. Balance of Payments (CFJ, 15)
- 8. The Elasticities Approach (CFJ, 16)
- * 9. The Keynesian Model (CFJ, 17, 18)

{Homework 2}

- *10. The Monetary Approach (CFJ, 19)
- 11. The Foreign Exchange Market (CFJ, 21)
- *12. Macroeconomic Policy with Capital Mobility (CFJ, 22, 23)
- 13. Interdependence and Aggregate Supply (CFJ, 25, 26)
- 14. The Importance of Expectations (CFJ, 27)

III. MONETARY INTEGRATION

- *15. Costs and Benefits of Monetary Integration (DG, 1-4)
- 16. Examples of Monetary Integration (DG, 5-9)

{Final}