If you have not previously had a course in international trade it might be a good idea to read chapters 2, 3, and 10 in Caves, Frankel, and Jones. Chapters 2 and 3 discuss international equilibrium and the gains from trade while chapter 10 explores tariffs, the terms of trade, and welfare. The basic concepts appear again in some of the open economy macro models we will be studying.

1. **Balance of Payments Accounting**


2. **The Elasticities Approach**


3. **A Two-Country Keynesian Model**


4. **The Mundell-Fleming Model**


5. **The Trade Balance**


6. **Fiscal Policy and the Trade Balance**


7. **Investment and the Trade Balance**


8. **International Parity Conditions**


9. **Flexible Exchange Rates**


10. **Fixed Exchange Rates**


11. **Real Exchange Rates**


**Course Grades**

Your grade for the course will be based on your performance on a semester long research project that will be completed in three stages. The first stage is an initial research proposal (20%), the second stage is a revised research proposal and class discussion (20% and 15%) and the third stage is a completed research project and class discussion (30% and 15%).

The research project is to be a case study of international macroeconomic issues in any non-industrialized country (sorry, no papers on the U.S., Canada, Europe, or Japan). Overall the goal of the research project is to use the tools developed in the course to explain the effects of various policies and world shocks on key macroeconomic variables such as the trade balance and the exchange rate.
Your initial research proposal is due on Thursday, January 26. The key element of the paper is to provide as clear a statement as possible regarding the goal of your paper: What is the issue you are exploring and what is your proposed contribution. The paper should include at least a discussion of possible data sources on the relevant variables for your country and topic. References to relevant papers in the literature and how they relate to your propose topic must also be included in your paper.

The revised research proposal is due in class on Thursday, February 9. It should include data on the relevant variables for your country and topic and a description of the general economic conditions and policies for the country and time period you have chosen to study. References, as well as all data, must be provided. The paper must also outline your plans for your final paper: What sort of empirical methods will you use, etc.

The oral presentations of your revised research proposals will be given on February 14, 16, 21, and 23. These presentations will be workshops in which your classmates will try and give you constructive criticism on your proposed research. For example, they might suggest additional issues they feel it might be interesting for you to incorporate into your research. Your oral presentation grade will depend equally on your own presentation and your active participation in discussing the research proposals of your classmates.

The final paper is due in class on Tuesday, April 4. It is to use the theories we have discussed in this class to try to explain the behavior of important open economy macroeconomic variables in light of (a) the country’s economic policies and (b) changes in world economic conditions facing the country. Diagrams describing the effects of various shocks on the economy are encouraged. Those of you that have had an econometrics course are encouraged to do a formal empirical study as part or all of your analysis. For example, you might choose to study the behavior of Indonesia’s trade balance from 1970 to the present. Your analysis would need to consider the impact of income shocks, investment, fiscal policy, and terms of trade changes on Indonesia’s trade balance. You would therefore need to collect and present data on each of these variables and then describe how they affected the trade balance. Oral presentations of your research project are scheduled for the last four classes, April 6, 11, 13, and 18.

Only one student can write on each topic. For instance, if someone chooses the topic just described, another student couldn’t write on Indonesia’s trade balance behavior from 1960-1990. However, someone could write on Indonesia’s trade balance from 1950-1970 or on Indonesia’s exchange rate from 1970 to the present. Since topics cannot be duplicated, you will want to give some thought to your topic very, very early in the semester. As soon as you have a topic you should email/see me to get it approved.

Procedures for Written Assignments: All written assignments are due by the start of class on the assigned day. By that time you are to provide me with a pdf file of your paper with the filename in the format Lastname mm-dd.pdf. Papers are to be double-spaced and you should follow the format for numbering equations, presenting tables and figures, and listing references found in the Journal of Political Economy. Late papers will be penalized one full letter grade immediately and then two plus-minuses for each additional
day they are late. (So for example, an “A” paper due at 8:30am on a Tuesday and handed in at noon on Wednesday would receive a grade of “C+” with the penalty.)

**Procedures for Oral Presentations:** Each presentation will be 20 minutes long. As of now, the plan is to have a 13-minute presentation and then 7 minutes of discussion for each project. When you are presenting you will be responsible for posting your paper and slides on Sakai. **These materials must be posted 48 hours before your presentation.** Your grades for the oral presentation will be based on your own presentation and your participation in discussing the other presentations.

**Contact Information:**

Office: 227 Social Sciences Building  
Office hours: Wednesdays 10:30-11:30, by appointment  
Telephone: 660-1811  
E-mail: kent@econ.duke.edu  

**Note:** The subject line of all e-mails should start with ECON 656S