

Contents

Preface for Students v

Preface for Instructors vii

INTRODUCTION

1. International Markets	3
✕ A. International markets	4
B. Excess supply and excess demand	14
C. The balance of trade	21
D. Comparative advantage and specialization	28
2. Trade with Constant Costs	38
A. Constant opportunity costs of production	39
B. Specialization and gains from trade	47
C. Extensions of constant cost trade theory	54
D. Applications of constant cost trade theory	64

NEOCLASSICAL TRADE THEORY

3. Gains from Trade	75
A. Production possibilities and real income	77
B. Specialization and the gains from trade	85
C. Economic development and international trade	92
D. Industrial trade policy	102
4. Protection	111
A. Tariffs: Taxes on imports	112
B. Quotas and other nontariff barriers	121
C. Protection and production	128
D. Political economy of protection	132
5. Terms of Trade	140
A. Offer curves	142
B. Tariffs and the terms of trade	154
C. Tariff games	161
D. Depletable resource trade	169

FACTOR PROPORTIONS TRADE THEORY

6. Production and Trade	183
A. Specific factors and trade	184
B. Production with two factors and two goods	194
C. Fundamental trade theorems	201
D. Factor proportions trade	212
7. Industrial Organization and Trade	223
A. Price searching firms and trade	224
B. Intraindustry trade	236
C. Oligopolies	242
D. Other causes of trade	248

FACTOR MOVEMENTS AND ECONOMIC INTEGRATION

8. International Migration and Investment	263
A. International labor migration	265
B. International capital movements	275
C. Income redistribution	282
D. International factor movements and trade	289
9. Economic Integration	298
A. Multinational firms	300
B. International externalities	308
C. International political economy	313
D. Steps of economic integration	322

INTERNATIONAL FINANCIAL ECONOMICS

10. Balance of Payments	337
A. Elasticities and the trade balance	338
B. Current and capital accounts	346
C. Deficits and surpluses	351
D. International fiscal and monetary policy	356
11. Foreign Exchange	366
A. Foreign exchange rates	368
B. Managed exchange rates	378
C. Foreign exchange trading	386
D. Foreign exchange risk	395
12. International Financial Markets	405
A. The international credit market	407
B. Foreign exchange and finance	418

C. International money	427
D. Money and international finance	438
Hints and Partial Answers to Even-Numbered Problems	447
Acronyms	453
References	455
Name Index	465
Subject Index	469