*Parsons, 2021*

**Introduction to the Course: International Economics**

This is a year-long course. For most students, they will register for the full-year course, though some students are permitted to register for only the Spring or Fall semester. Traditionally, International Economics courses are divided into two parts: **International Trade** and **International Finance**. Most textbooks (Krugman, Obstfeld, Melitz; Salvatore; Caves, Frankel, Jones, etc.) are also divided in this manner. The first half of the textbook is “Trade” and the second half is devoted to “Finance”. I will generally follow this style, with Trade topics in the Spring semester and International Finance in the Fall. (Note that here we do not mean pure Finance theory. There is some overlap, of course, and any student of economics should study the fundamentals of Finance theory.[[1]](#footnote-1) )

Having said that, there is also a broader definition of International Economics which describes it as the international movement of three things, namely: **Goods, Capital and Labor.** Nearly all textbooks deal extensively with the first topic, Goods. The International Finance half of a typical textbook will handle the matter international movement of Capital, whether it be, portfolio investment, or Foreign direct investment, and the international buying and selling of government-issued bonds, and of course, exchange rate movements. Most textbooks do *not* deal with the third topic, the international movement of Labor. Also, foreign directly investment is often a combination of Trade and International Finance and requires an addition textbook in and of itself to address it thoroughly.

So, for the second half of the course, the Fall semester, I will cover some classic topics in International Finance (especially, the origins of trade deficits and surpluses), but will also spend some time discussing foreign direct investment in more detail and also briefly discussing the international movement of Labor (which relates to Immigration, which is a complex topic as well.)

For those interested in learning more about International Finance, I strongly recommend you take Professor Sato’s course, 外国為替論。

1. Please note here that Finance (国際金融) is more concerned with exchange rate movements, and other global macro issues and not with “Finance” in the sense of asset pricing, stock market movements, net present value, discounting, bonds, futures, options, etc. [↑](#footnote-ref-1)