

**University of Chicago**  
**Harris School of Public Policy Studies**  
**DRAFT 7/24/2019**

**International Trade, Banking and Capital Markets**

**Fall 2019**

**Public Policy 35310**

Lecturer: David H. Schabes

Prerequisites: None

Dates: October 1, 2019 – December 14, 2019 (Final Exam Date and Time TBD)

Time: TTH 11:00 AM – 12:20 PM Location: Classroom: Room

Office: 1307 East 60<sup>th</sup> Street, Room 3045 Office Hours: TTH 1:30 - 2:30

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Teaching Assistants:

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TBD, email:

**Course Description:** Over the past 50 years, the markets for goods and services have become dramatically globalized. The internationalization of financial markets and the liberalization of trade have been critical to this growth. In contrast to a few decades ago, today's companies manage global supply chains and investment capital moves quickly from market to market.

International Trade, Banking and Capital Markets is an introduction to the drivers of and issues behind these changes. The course assumes only an introductory course in microeconomics. Topics covered include: the economic models presenting the gains from trade and gains and issues created by instruments of trade policy such as tariffs and treaties, as well as international trade bodies including the World Trade Organization. We will then move on to how trade is conducted between companies in different countries, covering topics such as foreign exchange, trade documentation and instruments used to guarantee payment.

The course will then cover aspects of international banking focusing on floating and fixed foreign exchange. The growth of international banking out of trade finance and the international expansion of domestic businesses will be presented along with the issues these developments created.

Finally, this course will acquaint you with modern international capital markets. We will discuss the importance of these markets in supporting the underlying growth in trade and services as well as some of the issues created, e.g., the precipitation of the 1997 East Asian Crisis by developing economies' increased access to capital markets.

**No computers or cellphones will be allowed to be used in class unless specifically instructed. Electronic Pads may be used for note taking.**

**Student should expect to attend all lectures and several TA sessions over the quarter. The course will be difficult to complete successfully without the ability to make this commitment.**

**Grading:**

There will graded homework approximately every week as well as a midterm and final exam. Grading will be based on the following:

1. Homework 30%
2. Mid-term Exam 30%
3. Final Exam 30%
4. Class Participation 10%

**Texts and Other Readings:**

**Krugman, Paul R., Maurice Obstfeld, Marc J. Melitz, and Paul R. Krugman. 2017. *Economics*. Eleventh Edition. New York, NY: Pearson Education.**

**MyEconLab, an online study tool, is available for both texts, but not required.**

**Foroohar, Rana. "The silver lining for labor markets." *Financial Times*, July 1, 2019.**

**Sandhu, Martin. "Tariffs Are Bad for GM and Bad for America." *Financial Times*, November 28, 2018.**

***Financial Times* articles are available from the UChicago Library via ProQuest.**

**ADD OTHER READINGS**

**Weekly Schedule:**

<b>Date/Readings</b>	<b>Lecture Topics and Assignments</b>
<b>October 1</b>  Foroohar.	<i>Introduction: Course Goals and Introduction Why do Countries Trade?</i>
<b>October 3</b>  International Economics, Chapters 1 and 2	<i>Mechanics of International Trade and History of Trade Development</i>
<b>October 8</b>  International Economics, Chapter 3	<i>Models of International Trade: the Ricardian Model</i>
<b>October 10</b>  International Economics, Chapter 4	<i>The Specific Factor Model: Introduction</i>
<b>October 15</b>	<i>The Specific Factor Model: Income Distribution, Gains (and Losses) from Trade</i>
<b>October 17</b>  International Economics, Chapter 5	<i>Heckscher-Ohlin Model I</i>
<b>October 22</b>	<i>Heckscher-Ohlin Model II</i>
<b>October 24</b>  International Economics, Chapter 6	<i>Standard Trade Model</i>
<b>October 29</b>  International Economics, Chapter 7	<i>Trade and Economies of Scale</i>
<b>October 31</b>  International Economics, Chapter 8	<i>Export Decisions, Outsourcing, and Multinational Enterprises</i>

<b>Date/Readings</b>	<b>Lecture Topics and Assignments</b>
<b>November 5</b>	<b>MID-TERM EXAM</b>
<b>November 7</b>  International Economics, Chapter 9 Sandbu.	<i>Instruments of Trade Policy</i>
<b>November 12</b>  International Economics, Chapter 14	<i>Money and Introduction to Foreign Exchange</i>
<b>November 14</b>  International Economics, Chapter 15	<i>Introduction to Foreign Exchange Theory</i>
<b>November 19</b>  International Economics, Chapter 17	<i>Output and Exchange Rates in the Short-run</i>
<b>November 21</b>  international Economics, Chapter 18	<i>Fixed Foreign Exchange Rates</i>
<b>November 26</b>  International Economics, Chapter 19	<i>History of International Monetary System</i>
<b>November 28</b>	<i>No Class Thanksgiving Holiday</i>
<b>December 3</b>  International Economics, Chapter 20	<i>International Banking and Capital Markets</i>
<b>December 5</b>  International Economics, Chapter 22	<i>Developing Countries</i>
<b>Week of December 9</b>	<b>FINAL EXAM</b>