Name Index

A
Aart, A., 356, 364
Aghevli, B. B., 615
Aghion, P., 218, 643
Alesina, A., 632, 643, 683, 684
Alexander, S. S., 558–559, 570, 571
Alexander, V., 666
Aliber, R. Z., 461, 724
Allen, P. R., 501
Andersen, T. M., 643
Anderson, H., 683
Anderson, J. E., 255
Anderson, K., 274, 288, 364
Ando, A., 501
Antweiler, W., 160, 185
Argote, L., 187
Argy, V., 642, 684
Arndt, H. W., 613
Arndt, S. W., 330
Arnon, A., 726
Arrow, K., 151, 154
Artus, J. R., 519, 520, 537, 683, 684
Audretsch, D. B., 392

B
Bacchetta, P., 461
Bagehot, W., 724
Baicker, K., 298
Baily, M. N., 83
Balassa, B., 48, 56, 83, 164, 186, 218, 255, 327, 328, 361, 465, 500
Baldwin, Richard, 328
Baldwin, Robert E., 27, 84, 132, 134, 136, 152, 153, 255, 295, 297, 298, 327, 392, 538, 726
Bale, H. E., 392
Balino, J. T., 539, 685
Balint, P. J., 187
Balint, P. J., 187
Ball, D. P. S., 138, 151, 153, 154
Barazesh, R., 134, 153
Barefoot, K. B., 162, 186
Barr, R., 328
Barron, J. A., 27, 84, 298, 615, 644
Barsky, R. B., 644
Bastiat, Frédéric, 41
Basu, P., 362
Baumol, William, 27, 84, 298, 615, 644
Baxter, M., 571, 614
Bayoumi, T., 539, 724
Bean, C. R., 684
Becker, G., 134
Begin, J., 187
Belt, T., 218
Bennett, A., 539, 685
Bergsten, C. Fred, 297, 298, 392, 421, 538, 539
Bergsten, C. Fred, 297
Bernanke, B. S., 643
Berry, S., 296
Bilson, J. F. O., 461, 489, 501, 502, 614, 684
Bissonnette, Otto von, 302
Black, S. W., 614, 643
Blanchard, O., 538
Blinder, A., 26, 162, 186, 644
Blomstrom, M., 392
Blonigen, B. A., 165, 185, 296, 297, 392
Bloomfield, A. I., 539, 689, 724
Boarstein, R., 298
Bordo, M. D., 218, 539, 697, 724
Borensztein, E., 685
Borjas, G. J., 127, 153, 387, 393
Borstein, M., 329
Boughton, J. M., 27, 724
Bowen, H. P., 134, 153
Brada, J. C., 329
Bradford, B., 83
Brander, J. A., 277, 296, 297
Brecher, R. A., 134, 153, 256
Breuss, F., 298
Brock, W. A., 255
Brodar, C. M., 165, 186, 241, 256, 272, 298
Brown, C. P., 296
Brown, D. K., 285, 297, 308, 328, 329
Bruhn, R., 168, 185, 186
Bruno, M., 644
Bruntz, H., 363
Bryant, R. C., 538, 571, 593, 614, 686
Burnside, C., 364, 446, 461
Burtless, G., 154
Bush, George W., 386

C
Cairncross, A. K., 335, 361
Calvo, C. A., 683
Calvo, Guillermo, 615
Camarota, S. A., 387
Camp, J. M., 525, 538
Campano, F., 352, 364, 727
Canzoneri, M., 686
Name Index

Cardoso, E., 727
Cashin, P., 341, 362, 470, 500, 501
Cassel, Gustav, 464, 500, 690
Casson, M., 392
Caves, R. E., 26, 56, 152, 217, 255, 256, 296, 392, 537, 570, 571, 613
Cecchini, P., 328
Chamberlin, E. H., 186
Chang, T. C., 517, 537
Chenery, H. B., 151, 154, 360, 727
Chinn, M. D., 461, 462, 521, 525, 537
Chipman, J. S., 26, 56, 152
Chor, D., 136, 153
Choski, A. M., 363
Choudhri, E. U., 135, 153, 256, 466, 501
Clarida, R. H., 296, 451, 462
Classen, E., 501
Cleese, A., 726
Cline, W. R., 127, 154, 297, 298, 363, 364, 421, 538, 539, 727
Coe, D. T., 162, 186
Cooper, C. A., 327, 329
Cooper, Richard N., 26, 364, 537
Copeland, B. R., 187
Corden, W. Max, 218, 254, 255, 295, 537, 571, 613, 614, 724, 726
Cossetti, G., 686
Crane, L., 521, 537
Crawford, J. A., 329
Crawley, M. A., 537
Crocket, A. D., 684
Cross, S. Y., 461
Crowley, 521
Crowley, M. A., 614, 643
Cuquierman, A., 614, 643
Cukierman, A., 363
Cwick, T., 615
D’Andrea Tyson, L., 297, 421
Davies, D. R., 136, 153
Dean, J., 27, 298, 539, 683, 685
Deardorff, A. V., 27, 84, 152, 255, 285, 298, 299, 328
Dedrick, J., 2
de Gaulle, Charles, 699
de Graaff, V. J., 256
De Grauw, P., 27, 502, 503, 724
de la Dehesa, G., 26
de la Torre, A., 666
Della Corte, P. L., 492, 503
Delors, Jacques, 658
de Melo, J., 255, 297, 327
Denison, E. F., 643
Desai, P., 329
Destler, I. M., 27, 187, 255, 298, 727
de Vries, M. G., 724
Diba, B. T., 686
Dixit, A., 83
Dollar, D., 349, 356, 364
Donha, D., 363
Dooley, M. P., 615, 709, 726
Dougherty, C., 218
Draghi, Mario, 663
Duisenberg, Willem F., 663
Dunn, J.-C., 387
Dunn, R., 501
Dunning, J. H., 391, 392
Eaton, J., 727
Ebenstein, A., 154
Edgeworth, Ysidro, 89
Edwards, Sebastian, 27, 298, 336, 360, 422, 537, 538, 539, 571, 615, 683, 685
Eichenbaum, M., 446, 461
Eichengreen, Barry, 27, 363, 461, 503, 539, 615, 684, 709, 712, 724, 725, 726, 727
Einzig, P., 461
Eihther, W. J., 295
Elliot, K. A., 255, 297, 298
Ellis, H. S., 26, 83, 151–152, 256, 571
Elmslie, B. T., 136, 153
Engle, C., 491, 492, 502
Enoch, C., 539, 685
Eppe, D., 187
Estevadeordal, A., 328
Ethier, W. J., 392
Evans, M. D., 502
Evans, M. E. E., 491, 492, 501, 503
Fair, R. C., 571
Faruque, H., 571
Fatem, K., 329
Feenstra, R. C., 26, 27, 84, 127, 153, 154, 185, 186, 217, 254, 255, 298, 328, 726
Fehr, H., 218
Feldstein, Martin S., 27, 421, 503, 538, 615, 644, 684, 685, 724–725, 726
Fernandez, R., 727
Fetherstorn, M., 571
Findlay, R., 217, 328, 360
Fink, G., 663, 684
Fiorentino, R. V., 329
Fischer, S., 56, 643
Flamm, K., 391
Flanders, M. J., 362
Fleming, M. J., 613
Flood, K., 615
Flynn, J. E., 297
Fogel, R., 725
Folkerts-Landau, D., 709, 726
Francis, J., 519, 537
Fratzsch, M., 538
Freeman, R. B., 153
Name Index

Kee, H. L., 521, 526, 537
Keesing, D. B., 134, 153
Keller, W., 218
Kemp, D. S., 421, 501
Kemp, M. C., 218
Kendrick, J. W., 643
Keynes, John Maynard, 13, 461, 569, 570, 571, 692, 703
Khan, M. S., 466, 501, 519, 537, 570, 615
Kim, S., 615
Kincaid, G. R., 571
Kindleberger, C. P., 341, 362, 391, 392
Kiyota, K., 297, 329
Klein, Lawrence, 315, 329, 615, 644, 725
Klein, M. W., 709, 725
Kletzer, L. G., 70, 83, 162, 186, 297
Klitgaard, T., 422
Knetter, M. M., 538
Knight, M. D., 519, 520, 537
Kol, J., 363
Kornai, J., 329
Kose, M. A., 615
Kosters, M. H., 127, 153, 256
Kotlikoff, Lawrence J., 218, 422
Kouparitas, M. A., 683
Kraay, A., 349
Kraemer, K. L., 2
Kravis, I. B., 134, 136, 153, 538
Leamer, E. E., 134, 136, 153, 538
Lee, B., 329
Lee, H. H., 186
Lee, H. T., 361
Lemaitre, G., 387
Lenz, A. J., 421, 538, 614
Leontief, Wassily, 83, 131–136, 151, 152, 154
Lerner, A. P., 83, 108, 256, 537
Levenson, J., 296
Levi, M. D., 462
Levich, R. M., 450, 461, 470, 500, 501
Levinsohn, J., 136, 153
Lewis, K. K., 451, 462, 491, 502
Lewis, W. A., 362
Limao, N., 241, 256, 272, 298
Linder, S. B., 162–163, 185
Lindert, P. H., 363, 364, 727
Lippoldt, D., 128, 154
Lipsey, R. E., 341, 362, 392, 421, 470, 500
Lipsey, R. G., 306, 327, 328
Lipsky, J., 644
Little, I., 363
Lloyd, P. J., 167–168, 186
Lombra, R., 643
Long, N. V., 218, 571, 614
Lorrain, F. B., 683
Lothian, J. R., 470, 500
Love, J., 345, 362
Low, Patrick, 178, 187
Lucas, R. E., 336, 361
Lutz, K., 644
Lyons, R. K., 491, 502
MacArthur, A. T., 451, 462, 502
MacBean, A. I., 344–345, 362
MacDonald, R., 489, 500, 502, 658, 684
MacDougall, G. D. A., 47–48, 56, 392
Machlup, F., 570, 571
Madison, A., 644
Magerman, J. R., 359, 685
Maggi, G., 299
Mark, N. C., 615, 644
Mark, N. C., 526, 537
Markusen, J. R., 186, 187
Marquez, J., 519, 521, 526, 537, 547, 570
Marshall, Alfred, 13, 89, 517, 537
Marston, R. C., 614, 643, 684, 685
Marx, W., 232, 274, 288, 298, 299, 364
Marton, R. C., 501, 502
Maskus, K. E., 134, 153, 186, 296
Massell, B. F., 327, 329, 345, 362
Masson, P. R., 489, 502, 674, 685, 725
Mataloni, R. J., 162, 186
McCullough, T. B., 643, 683
McCaffrey, J., 525, 538
McCausland, R., 461
McCulloch, N., 364
McDermott, C. J., 341, 362, 470, 500, 501
McKay, A., 364
McKenzie, G., 462
McKibbin, W. J., 298, 562, 571
McKinnon, Ronald I., 27, 462, 470, 500, 503, 538, 539, 614, 615, 656, 683, 684, 708, 724, 725, 726
McLaren, J., 154
McLeod, D., 362
McMillan, M. S., 154, 162, 186
McMullen, N., 363
Meese, R., 489, 491, 502
Mehta, D., 173, 187
Meier, G., 362
Meissner, C. M., 724
Mejean, Isabelle, 521, 526, 537
Melitz, J., 666
Mendez, J. A., 329
Mensbrugghe, D., 187
Messerlin, P. A., 255, 296, 297, 328
Metzger, R. A., 298
Metzler, L. A., 256, 571
Metzler, L. M., 26, 83, 151–152, 571
Meulendyke, A. M., 614
Michaely, M., 154, 254, 295, 363, 539, 614, 689, 724
Michalopoulos, C., 330
Milesi-Ferretti, G. M., 422, 571
Mill, John Stuart, 13, 104, 109
Muller, G. J., 686
Mundell, Robert A., 391, 471, 503, 538, 575, 578, 596, 613, 614, 615, 656, 683, 684, 709, 725, 726
Munn, Thomas, 33
Murrell, P., 330
Myint, H., 296, 360
Myrdal, G., 339, 340, 362
Naderson, K., 299
Neary, J. P., 152, 185
Neely, C. J., 491, 502
Nellis, J., 329
Neumann, M. J. M., 643
Newman, P. C., 56
Neyapti, B., 643
Nicita, A., 521, 526, 537
Nixon, Richard, 699, 700
Noland, M., 297, 421, 537, 539
Nordas, H. K., 299
Norman, V., 83
Nugent, A., 296
Nurkse, R., 334, 361, 539, 652, 684, 689, 691, 724
Obstfeld, M., 462, 501, 538, 571, 614, 643
Ohlin, Bertil, 109, 118, 152, 569, 571
Ohno, K., 539, 614
Olárreaga, M., 521, 526, 537
Orcutt, G., 517, 519, 537
Orlowsky, L., 330
Orenlas, E., 528
O’Rourke, K. H., 364
Ostry, J. D., 345, 363, 653, 683, 709, 725
Owen, N., 328
Ozden, C., 363, 393
Ozeki, Y., 461
P
Pack, H., 297, 336, 361
Padmore, T., 571
Paganetto, L., 187
Pakko, M. R., 500, 538, 571
Panagariya, Arvind, 27, 83, 84, 152, 255, 298, 327, 328
Pappageorgi, D., 363
Park, Y. C., 362
Park, Y. S., 462, 725
Parkington, M., 393
Patrick, H. T., 297
Pearson, C., 27
Pereira, A., 363, 727
Persson, T., 686
Phillips, E., 725
Phillips, S., 154
Piore, N. M., 393
Polak, J. J., 724
Pollard, P. S., 500, 643
Porter, M. E., 83, 186, 187
Portney, P. R., 187
Posen, A. S., 643
Posner, M. V., 172, 186
Prebisch, R., 339, 340, 362
Prichett, L., 218
Prusa, T. J., 296, 298
Q
Quayyum, S., 521, 537
R
Ragehot, W., 539
Rajan, R., 709, 725, 726
Ram, R., 361
Ramawami, V. K., 296
Ramawamy, F., 83, 84
Ramey, V., 127, 153
Ramstetter, E., 392
Rapach, D. E., 489, 491, 502
Ravallion, M., 355, 364
Razin, A., 571, 614, 709, 725
Reagle, D., 362, 538, 727
Rebelo, S., 446, 461
Rehavi, M. M., 298
Reinhart, E., 363
Reinhart, C. M., 341, 362, 639, 683, 709, 725, 727
Reitzes, J. D., 298
Revenga, A., 363
Rhomberg, R., 518, 538
Ricardo, David, 13, 31–32, 33, 36–41, 42, 56, 109
Ricci, L. A., 361
Rice, P. G., 186
Richardson, J. D., 154, 296, 392
Richardson, P., 644
Ricker, B., 392
Ricker, D., 392
Riedel, J., 360, 361
Rigobon, R., 361
Rogers, J. H., 502
Rogoff, Kenneth S., 26, 153, 186, 187, 218, 255, 298, 327, 361, 363
Roggero, S., 633, 643
Romer, D., 218, 361, 643
Romer, P. M., 336, 361
Rose, A. K., 187, 470, 491, 502, 684
Rosefielde, S., 27, 685, 724
Roth, B., 255, 297, 298, 327, 466, 470, 489, 491, 500, 501, 502, 503, 538, 571, 614, 615, 639, 686, 709, 725, 727
Roland-Holst, D., 187
Romalis, John, 136, 153
Romer, D., 218, 361, 643
Romer, P. M., 336, 361
Rottenberg, A. D., 526, 538
Roubini, N., 615, 727
Rousseau, P., 218
Rovny, F., 615
Roy, S., 298
Ruffin, R. J., 186
Rugman, A., 392
Rusnak, John, 444
Russell, R. R., 200, 218
Rybczynski, T. M., 217
S
Sachs, Jeffrey D., 27, 127, 153, 154, 330, 356, 363, 364, 571, 642, 644, 727
Saggi, K., 297
Salin, P., 501
Salot, J., 642
Samuelson, Paul A., 13, 56, 83, 123–124, 152, 162, 186, 256, 465, 500
Santomero, A., 642
Santos-Paulino, A. U., 361
Sapir, A., 328
Sarno, L., 462, 491, 492, 500, 502, 503
Savona, P., 27, 685, 724
Saxonhouse, G., 297
Sazanami, Y., 255, 297
Schiff, M., 393
Schindler, J. W., 526, 537
Schneider, F., 643
Schott, A. D., 393
Schott, J. J., 299, 314, 315, 328, 329, 364
Schott, P. K., 136, 153
Schultz, T., 134
Schumacher, B., 519, 537
Schwartz, A. J., 697, 724
Scitovsky, T., 256, 327
Scott, R. E., 71
Sco, T., 26
Seater, J., 642
Seger-Schreiber, J. J., 392
Setser, B., 727
Shambaugh, J. C., 709, 725
Shaohua, C., 355, 364
Shatz, H., 127, 153, 154
Shobhana, M., 328
Singer, H. W., 339, 340, 362, 392
Singh, T., 360
Slaughter, M., 127, 154
Smith, A., 296
Smith, Adam, 13, 31, 32–33, 35, 56, 109, 218
Smith, S. C., 360
Soderbery, A., 165, 185
Sojii, E., 492, 503
Solomon, R., 27
Solow, R. M., 151, 154
Sonha, D., 345, 363
Spence, M., 725
Spencer, B., 277, 296
Spencer, M. H., 56
Spitalier, E., 519, 538
Sprague, W. J., 341, 362
Srinivasan, T. N., 26, 83, 152, 255, 296, 360, 364, 727
St. Paul, G., 684
Staiger, R. W., 298, 299
Staiger, W., 298, 299
Stapel, M., 725
Stein, E., 329
Stern, R. M., 26, 27, 56, 84, 134, 153, 255, 285, 297, 298, 299, 328, 519, 537, 538, 614
Stiglitz, J. E., 26, 361, 362, 364, 643, 644, 709, 726
Stockman, A. C., 501
Stolper, W. F., 152, 256
Stone, J. A., 186
Stone, M., 683
Stuart, M., 186
Summers, L. H., 162, 186, 632, 643, 644
Sveikauskas, L., 134, 153
Svensson, L. E. O., 724
Swagel, P., 127, 154
Swan, Trevor, 578, 613
Sweboada, A., 683
Symansky, S., 571, 593
T
Tabellini, G., 686
Takacs, W. E., 295
Takhtamanova, Y. F., 526, 538
Talvi, E., 666
Tarr, D. G., 255, 297, 330
Taussig, F. W., 689, 724
Tavlas, G. S., 461, 684
Taylor, A. M., 462, 470, 500, 501
Taylor, John B., 538, 615, 643, 644
Taylor, M. S., 187
Tchakarov, I., 686
Tenreyro, S., 683
Thomas, V., 218, 393
Thornton, D. L., 462
Tille, C., 422, 461
Tinbergen, Jan, 575, 613
Tirole, J., 27
Tobin, J., 708–709, 725
Todaro, M., 360
Tortensson, J., 186
Tosini, P. A., 684
Tower, E., 683
Trefler, D., 136, 153, 160, 185
Trichet, Jean-Claude, 663
Triffin, Robert, 701, 724
Truman, E. M., 709, 726
Tsangarides, C., 653, 683, 709, 725
Tsakas, L., 492, 503
Tsiang, S. C., 571, 724
Turner, L., 363
Tsyers, R., 421

U
Ungerer, H., 683
Urata, S., 255, 297

V
Valente, G., 462
van Brabant, J. M., 330
Vanek, J., 327
van Wincoop, E., 255, 461
Velasco, A., 683
Venables, A. J., 186, 187, 327
Vernon, R., 172, 173, 187, 392
Veyrune, R., 683
von Furstenberg, G. M., 666, 683, 725
Vousden, N., 297
Vu, K. M., 644

W
Wall, J. J., 297
Wang, J., 492, 503
Web, S. B., 643
Weber, A. A., 684
Wei, S. J., 329, 615, 683
Weil, D. N., 361
West, K., 491, 492, 502
Whalley, J., 329, 328
White, Harry D., 692
Wickham, P., 341, 362
Wieland, V., 615
Willett, T. D., 27, 500, 503, 539, 683, 685
Wilson, J. S., 296
Winczewski, G., 644
Winters, L. Alan, 26, 232, 298, 363, 364
Witte, W., 643
Wohar, M. E., 489, 491, 502
Wolak, F. A., 298
Wolfgang, M., 152
Wood, A., 127, 135, 136, 153, 154
Woodford, M., 643
Wright, P., 360
Wrightman, D., 391
Wu, J., 492, 503

Y
Yang, M. C., 341, 342, 362
Yeats, A. J., 255, 297, 329
Yeyati, E., 666
Young, A., 361
Young, J. H., 683
Young, L., 255
Young, S., 391
Young, W., 726
Yusuf, S., 362, 364

Z
Zakrajsek, E., 136, 153
Zanias, G. P., 341–342, 362
Zhang, Y., 421
Zhang, Z., 615
Zhu, S. C., 136, 153
Zwick, J., 462
Subject Index

A

Absence of trade, 62–63
Absolute advantage, 34–36
illustration of, 35–36
Absolute disadvantage, 39
Absolute factor-price equalization, 125–126, 145–146
Absolute purchasing-power parity (PPP) theory, 464–465
in real world, 466
Absorption approach, 558–559
Accenture, 5
Accommodating transactions, 407
Accounting balances
and balance of payments, 405–407
and international transactions, 398–401
Accounting exposure, 440
Adjustable peg systems, 668–670
with gold standard, 688
IMF members and, 672
Adjustment. See also Monetary adjustments in balance-of-payments, 12
Bretton Woods system and, 700
defined, 688
income adjustment mechanism, 508
price adjustment mechanism, 508
Administrative regulations, 262–263
Ad valorem tariffs, 222
minimum ad valorem rate, 236
Advanced nations
complete trade liberalization, benefits of, 274
Doha Round, gains from, 288
exchange controls of, 601–602
income inequality in, 352
inward and outward stock of foreign direct investment (FDI), 374–375
nonagricultural products, tariffs on, 222
population, economic and health indicators in, 351–352
structural imbalances in, 14–15, 715–717
terms of trade of, 96
trade imbalances in, 716
Uruguay Round, gains from, 285
AFL-CIO, 70
Africa. See also Sub-Saharan Africa; specific nations
current account balance of, 554
GDP (gross domestic product), growth of, 554
Heckscher-Ohlin theory and, 135
inward and outward stock of foreign direct investment (FDI), 374–375
Lomé Convention and, 311
multinational corporations (MNCs) of U.S., employment by, 381
population, economic and health indicators in, 351–352
regional trade agreements in, 326
Aggregate demand
in closed economy, 618–619
economic shocks, effect of, 626–629
fiscal policies in open economies and, 629
fixed exchange rates, demand under, 624–625
flexible exchange rates, demand under, 625–626
macroeconomic policies, effect of, 626–629
monetary policies in open economies and, 629
monetary shocks and, 628–629
in open economy, 623–626
real-sector shocks and, 627–628
short-term capital flows and, 628–629
Aggregate demand (AD) curve, 618–619
Aggregate supply
in closed economy, 618–619
in long run and short run, 619–621
Aggregate supply (AS) curve, 619–621
Agriculture. See also Arable land
common agricultural policy (CAP) (EU), 267–268
in developing nations, 335
problem of tariffs and subsidies, 287
Smoot-Hawley Tariff Act, 278
Airbus subsidies, 268
strategic trade policy, two-firm competition and, 275–277
Aircraft. See Airbus subsidies; Boeing
Air pollution, 178
Albania and European Union (EU), 321
Algeria and European Union (EU), 315
Allfirst Bank case, 444
Allied Irish Banks, 444
American Automobile Labeling Act of 1992, 3
American options, 436
Anchor argument for fixed exchange rates, 652
Andean Community (CAM), 316, 326
Angola in South Africa Development Community (SADC), 316
Antidumping, 264
G2O countries, investigations by, 266
international price discrimination, 293–294
on steel, 265
trigger-price mechanism and, 264–266
Uruguay Round provisions, 283
Antiglobalization, 4–5, 287
web site discussion on, 299
Antigua in CARICOM, 316
Antitrust consumption, 197
Antitrust growth, 196–197
Subject Index

Appreciation
defined, 429
effective exchange rate and, 431
of Japanese yen, 438–439
monetary approach to the balance of payments and, 474–475
portfolio balance model and, 485
time path to new equilibrium exchange rate and, 487–489

Arable land
factor endowments of various countries, 116–117
factor intensity of, 122
Heckscher-Ohlin theory with, 135
in regions of recent settlement, 334

Arab Maghreb Union (AMU), 326
Arbitrage, 431–432. See also Interest arbitrage;
Uncovered interest arbitrage
efficiency of foreign exchange markets and, 450–451
Eurocurrency market and, 453

Architecture of the present international monetary system, 712

Argentina. See also G-20 countries; Mercosur (Southern Common Market)
antidumping investigations by, 266
Big Mac prices in, 467
capital deepening and output per worker, 200
currency board arrangements (CBAs) in, 665, 666
current account balance of, 554
efficiency change and output per worker, 200
foreign debt burden of, 353–354
GDP (gross domestic product), growth of, 554
manufactures exports in, 351
output per worker, growth in, 200
peso, devaluation of, 666
technical progress and output per worker, 200
trade reforms in, 350
Turkey, 709–711

Aruba, exchange rate arrangements of, 672

ASEAN (Association of South East Asian Nations), 317, 327
Japan, free trade agreement (FTA) with, 316
web sites about, 330

Asia. See also Central Asia; East Asia; South Asia
current account balance of, 554
direct investments by U.S. in, 369
GDP (gross domestic product), growth of, 554
Heckscher-Ohlin theory and, 135
high-performance Asian economies (HPAEs), 337
inward and outward stock of foreign direct investment (FDI), 374–375
multinational corporations (MNCs) of U.S., employment by, 381
trade agreements, 326–327
trade bloc problem, 287
Uruguay Round, gains from, 285
Asian Development Bank web site, 572
Asian Financial Crisis of 1997, 337, 709–711
OECD (Organization for Economic Cooperation and Development) countries, effect on, 557

Asia-Pacific Economic Cooperation (APEC), 326
web sites about, 330
Asia Pacific Trade Agreement (APTA), 327
Asset market approach. See Portfolio balance model
Association of Coffee Producing Countries, 345
Association of South East Asian Nations (ASEAN).
See ASEAN (Association of South East Asian Nations)

Australia
agricultural subsidies in, 267–268
antidumping investigations by, 266
Asian Financial Crisis of 1997, effect of, 557
Big Mac prices in, 467
inflation targeting in, 633
international competitiveness ranking of, 175
labor migration in, 386
pass-through elasticities for, 525
Uruguay Round, gains from, 285
U.S., free trade agreement (FTA) with, 284, 314

Austria. See also EFTA (European Free Trade Association); European Union (EU)
Environmental Performance Index (EPI) ranking, 179
Euro (€), conversion rates for, 662
government debts and budget deficits of, 665
Uruguay Round, gains from, 284

Autarky, 62–63. See also Closed economy
prohibitive tariffs and, 236

Automatic monetary adjustments. See Monetary adjustments

Automobiles
American care case study, 3
intra-industry trade in automobile products, 163–164
voluntary export restraints (VERs) on Japanese automobiles to U.S., 261–262

Autonomous transactions, 407
foreign repercussions and, 555–556
in government expenditures, 561–562
of small open economy, 551–555

Average cost curve (AC)
external economies and, 183–184
monopolistic competition and, 169–172
Average propensity to import (APM), 546–547

B
Bahamas in CARICOM, 316
Bahrain
in Gulf Cooperation Council, 315
U.S., free trade agreement (FTA) with, 284, 314

Balanced growth, 190–191
Balance of international indebtedness, 413
Balance of payments, 12, 397–422. See also Deficits;
Gold standard; Monetary approach to the balance of payments
absorption approach, 558–559
accounting balances and, 405–407
adjustable peg systems and, 668–670
adjustment in balance-of-payments, 12
BP curve and, 578–581
credits and debits and, 398–399
current account net debit balance, 406
definition of, 399–400
direct controls aimed at, 575
double-entry bookkeeping, 399–401
financial inflows, 399
financial outflows, 399
flexible exchange rates, balance-of-payments
adjustments with, 508–509
foreign exchange rate and, 432–434
gold standard and, 528
international capital transfers and, 377
international transactions, 398
Mundell-Fleming model and, 578–581
official settlements balance, 406
postwar balance of payments in U.S., 407–412
protectionism and, 271
residents, defined, 398
summary statements, 398
surplus in, 406–407
transfer problem, 390–391
Balance of Payments Statistics Yearbook, 24
Balassa-Samuelson effect, 465–466
Baltic Free Trade Agreement (BAFTA), 321
Banana imports, restrictions on, 265
Bancor units, 692
Bangladesh, 656
Bank for International Settlements (BIS), 425–426
Bank of Canada web site, 686
Bank of England web site, 686
Bank of Japan
 inflation targeting and, 633
 web site, 686
Bank rate, 690
Banks. See also Central banks; Eurocurrency market;
 Foreign exchange markets
 central bank independence and inflation, 632
 of emerging markets, 712
 global banks, 10–11
 legal reserve requirement (LRR), 472
 as lenders of last resort, 424
 subprime mortgage crisis, 712
Barbados in CARICOM, 316
Barbuda in CARICOM, 316
Bargaining tariffs, 272
Barter trade and bilateral agreements, 318–321
Basis for trade, 31
Beachhead effect, 526
Beggar-thy-neighbor policies, 673
 protectionism, argument for, 271
 Smoot-Hawley Tariff Act and, 278
Belgium. See also European Union (EU)
 Benelux, 302
 Euro (€), conversion rates for, 662
 exchange controls by, 601
government debts and budget deficits of, 665
 intra-industry trade, growth of, 167
 Maastricht convergence indicators, 660
Belize in CARICOM, 316
Benelux, 302
Benign neglect, 702
Benin in West African Economic and Monetary Union
 (WAEMU), 316
Big Mac Index, 467–468
Bilateral agreements and CMEA economies, 318–321
Bilateral trade approach, 279
Blocs. See Trading blocs
Board of Governors of the Federal Reserve System
 web site, 28
Boeing
 aircraft subsidies by, 268
 Dreamliner jet, 2
 Foreign Sales Corporations (FSC) provisions
 of U.S. tax code and, 267
 strategic trade policy, two-firm competition
 and, 275–277
Bolivia. See also Mercosur (Southern Common
Market) in Andean Community, 316
Bonds. See Stocks and bonds
Border taxes, 263
Bosnia and Herzegovina
 currency board arrangements (CBAs) in, 665
 Environmental Performance Index (EPI)
 ranking, 179
 European Union (EU), negotiations with, 321
Botswana in South Africa Development Community
 (SADC), 316
BP curve, 578–581. See also IS-LM-BP model
 mathematical derivation of, 611, 612
 summary in mathematical terms, 611–613
Brain drain, 4, 385–386
Brazil. See also G-20 countries; Mercosur (Southern
 Common Market)
antidumping investigations by, 266
 Big Mac prices in, 467
capital-labor ratio of, 117, 196
comparative advantage of, 64
cotton subsidies in U.S., action against, 267
currency crisis in, 513, 709–711
current account balance of, 554
factor abundance of, 116–117
factor intensity of trade, 122–123
foreign debt burden of, 353–354
GDP (gross domestic product), growth of, 554
GNI (gross national income) in, 205–206
growth in trade in, 205–206
inflation in, 513, 633
International Monetary Fund (IMF)
 balance-of-payments summary for, 420
 inward and outward stock of foreign direct
 investment (FDI), 374–375
manufactures exports in, 351
Brazil (continued)
  multinational corporations (MNCs) of U.S., employment by, 381
  nonagricultural products, tariffs on, 223
  purchase power parity (PPP) in, 205–206
  as trade partner of U.S., 409
  trade reforms in, 350
  traditional and purchasing-power parity (PPP) per capita incomes in, 359
  as unfair trader, 281
Bretton Woods system, 526–528, 601, 691–694
  as adjustable peg system, 668, 692
  collapse of, 700–701
  evolution of, 695–697
  fixed exchange rates under, 651–652
  operation of, 694–695
BRICS, growth in trade among, 205–206
British Commonwealth Preference Scheme, 301
British pound
  depreciation of, 438–439
  relative international importance of, 426
Broadcom, 2
Brunei in ASEAN (Association of South East Asian Nations), 317
Buffer stocks, 345
Bulgaria
  in Council of Mutual Economic Assistance (CMEA or COMECON), 318
  currency board arrangements (CBAs) in, 665
  and European Union (EU), 312, 321
Bundesbank, 658
Bureau of Economic Analysis web site, 28, 422, 539, 572, 615, 644
Burkina Faso in West African Economic and Monetary Union (WAEMU), 316
Burma. See Myanmar
Burundi, traditional and purchasing-power parity (PPP) per capita incomes in, 359
Business Week, 25
Buy American Act of 1933, 263
C
Call options, 436
Cambodia in ASEAN (Association of South East Asian Nations), 317
Canada. See also Canadian dollar; G-7 countries; G-20 countries; NAFTA (North American Free Trade Agreement)
  absolute advantage and, 34–35
  agricultural subsidies in, 267–268
  antidumping investigations by, 266
  Asian Financial Crisis of 1997, effect of, 557
  automobile products, intra-industry trade in, 163–164
  Big Mac prices in, 467
  capital deepening and output per worker, 200
  capital-labor ratio of, 117, 196
  Department of Foreign Affairs web site, 299
  direct investments by U.S. in, 369
  dollar, appreciation of, 438–439
  efficiency change and output per worker, 200
  export volume in, 208–209
  factor abundance of, 116–117
  factor intensity of trade, 122–123
  free trade agreements (FTAs) of, 316
  GDP (gross domestic product) growth in, 208–209
  income elasticity of imports, 547
  industrial products, tariffs on, 232–233
  inflation rate in, 476, 633
  international competitiveness ranking of, 175
  International Monetary Fund (IMF)
    balance-of-payments summary for, 419
    intra-industry trade, growth of, 167
    inward and outward stock of foreign direct investment (FDI), 374–375
  labor migration in, 386
  as major trade partner, 9–10
  monetary growth in, 476
  multinational corporations (MNCs) of U.S., employment by, 381
  nonagricultural products, tariffs on, 222
  output per worker, growth in, 200
  pass-through elasticities for, 525
  per capita GDP changes in, 208–209
  pervasiveness of nontariff trade barriers (NTBs) in, 268–269
  price elasticities for imports and exports, 521
  private sector balances of, 549
  Quebec, secession threat by, 656
  real hourly wage in manufacturing in, 130
  technical progress and output per worker, 200
  terms of trade changes in, 208–209
  trade imbalances in, 716
  as trade partner of U.S., 409
  traditional and purchasing-power parity (PPP) per capita incomes in, 359
  Uruguay Round, gains from, 285
  voluntary export restraints (VERs) on Japanese automobiles, 262
Canadian dollar
  appreciation of, 438–439
  U.S. dollar and, 491
Canadian International Trade Tribunal web site, 299
Capital. See also International capital flows; Perfect capital mobility
  aggregate demand, short-term capital flows and, 628–629
  developing nations, trade and, 335
  elastic capital flows, fiscal/monetary policies with, 584–586
  factor endowments of various countries, 116–117
  human capital and Leontief paradox, 134
  imperfect capital mobilities, IS-LM-BP model with, 589–591
  input-output table and, 131
  international flow of, 10–11
  labor growth and capital accumulation, 190–191
  major net exporters and importers of, 11
  output per worker, capital deepening and, 200
  in regions of recent settlement, 334
specific-factors model and, 129
U.S. trade, requirements in, 132
Capital inflows, 399
Capital intensity
commodities, capital intensive, 111, 112
products, factor intensity of, 122
protectionism and, 348
subsidies and, 348
Capital-labor ratios
changes in selected countries, 196
in Heckscher-Ohlin theory, 111
of various countries, 117
Capital outflows, 404
Capital-saving technical progress, 194
graphical analysis of, 216–217
Capital stock per worker
growth in, 195–196
information on, 155
Caribbean Community and Market (CARICOM), 326
Caribbean Free Trade Association (CARIFTA), 316
Caribbean nations. See also specific nations
foreign debt burden of, 353–354
inward and outward stock of foreign direct
investment (FDI), 374–375
Lomé Convention and, 311
population, economic and health indicators in, 351–352
CARICOM, 316
Carry trade, 445–446
web site information, 462
Cartels
centralized cartels, 264, 292–293
international cartels, 263–264
maximization of total profits of, 293
Cascading tariff structure, 232–233
Catcher Technologies, 2
Caterpillar Corporation, 267
Central America. See Latin America
Central American Common Market (CACM), 316, 317, 326
Central American Free Trade Agreement (CAFTA), 326
Central and Eastern European Countries (CEEC), 320–321
Central Asia
foreign debt burden of, 353–354
population, economic and health indicators in, 351–352
Central banks. See also European Central Bank (ECB)
independence and inflation, 632
swap arrangements by, 696, 704
Central Europe
current account balance of, 554
economic integration in, 318–321
GDP (gross domestic product), growth of, 554
Uruguay Round, gains from, 285
Central European Free Trade Association (CEFTA), 321
Centralized cartels, 264, 292–293
Centrally planned economies, 318
Chicago Tribune, 25
Child mortality. See Infant/child mortality
Chile. See also Mercosur (Southern Common Market)
in Andean Community, 316
capital deepening and output per worker, 200
currency depreciation in, 513
efficiency change and output per worker, 200
EU, free trade agreement (FTA) with, 315
inflation in, 513, 633
manufactures exports in, 351
output per worker, growth in, 200
technical progress and output per worker, 200
trade reforms in, 350
U.S., free trade agreement (FTA) with, 284, 314
China. See also G-20 countries
antidumping investigations by, 266
capital-labor ratio of, 117, 196
comparative advantage of, 64
current account balance of, 554
export subsidies by, 267
factor abundance of, 116–117
factor intensity of trade, 122–123
GDP (gross domestic product), growth of, 554
GNI (gross national income) in, 205–206
growth in trade in, 205–206
as high-performance Asian economy (HPAE), 337
International Monetary Fund (IMF)
balance-of-payments summary for, 420
inward and outward stock of foreign direct
investment (FDI), 374–375
jobs moving to, 1
as major trade partner, 9–10
multinational corporations (MNCs) of U.S., 381
nonagricultural products, tariffs on, 223
population, economic and health indicators in, 351–352
purchase power parity (PPP) in, 205–206
renminbi currency, 427, 462
trade deficit between U.S. and, 411
as trade partner of U.S., 409
trade reforms in, 350
traditional and purchasing-power parity (PPP)
per capita incomes in, 359
trigger-price mechanism and, 265–266
Uruguay Round, gains from, 285
variety gains with international trade and, 165
yuan currency, 427
Chrysler. See Daimler-Chrysler
CIAM (covered interest arbitrage margin), 449–450
CIAP (covered interest arbitrage parity), 446–449
CIAP line, 446–449
Citigroup, 5
Citizen.org/trade, 84
Clearinghouses for foreign exchange, 424
Clearinghouses for foreign exchange, 424
Climate change, 15
international monetary system and, 718
Closed economy
aggregate demand in, 618–619
aggregate supply in, 618–619
Closed economy (continued)
equilibrium national income in, 542–545 multiplier in, 545
CMEA or COMECON, 318–321 Cobb-Douglas production function, 78, 151 Cocoa
Ghana, marketing board of, 345 International Cocoa Agreement, 345 Codenton Agreement, 311 Coffee and International Coffee Agreement, 345 Cold War, Eurocurrency market and, 452 Colombia. See also Mercosur (Southern Common Market)
in Andean Community, 316 Big Mac prices in, 467
Canada, free trade agreement (FTA) with, 316 EU, free trade agreement (FTA) with, 315
inflation targeting in, 633
U.S. free trade agreement (FTA) with, 284, 314 Commercial policy of U.S., history of, 278–282 Commodities. See also Comparative advantage;
equilibrium-relative price with trade;
Heckscher-Ohlin theory
buffer stocks, 345
factor intensity and, 112–114
inferior goods, 199
international commodity agreements, 345–346
international trade, commodity composition of, 20–21
magnification effect, 193
normal goods, 199
prices, changes in, 342
production theory with two commodities, 78–79
Rybczynski theorem and, 192–193 Commodity terms of trade, 94, 338
deterioration in developing nations, reasons for, 339–340
of developing nations, 340–342
historical movement in, 340–342
structural breaks and, 341–342
Common agricultural policy (CAP), 267–268, 310–311
Common Market
intra-industry trade and, 164
Trade Expansion Act of 1962 and, 280
Common Market for Eastern and Southern Africa (COMESA), 326
Common markets, 302
Commonwealth of Independent States (CIS), 320–321, 327
Community indifference curves, 60–62
compensation principle and, 62
difficulties with, 61–62
illustration of, 60–61
marginal rate of substitution (MRS) and, 61
Comparative advantage, 31–50, 109. See also
Heckscher-Ohlin theory
defined, 36–37
factor endowments and, 136 gains from trade and, 37–39
inter-industry trade and, 166
and labor theory of value, 41–42
of largest advanced and emerging economies, 64
with money, 39–40
with more than two commodities, 54–55
with more than two nations, 55
no comparative advantage, 39
opportunity costs and, 41–45
Comparative disadvantage, 36
Comparative statics, 190
Compensation principle, 62
Compensatory and Contingency Financing Facility (CCFF), 704
Competition. See also Heckscher-Ohlin theory imperfect competition, 163–175
international competitiveness, 175
monopolistic competition, 169–172
perfect competition in Heckscher-Ohlin theory, 111
strategic trade policy, two-firm competition and, 275–277
Complete specialization in production, 47
Complete trade liberalization, benefits of, 273–274
Compound tariffs, 222
Computers
foreign manufacturing of parts for, 2
subsidies in Japan, 268
Confidence
Bretton Woods system and, 700
defined, 688
Constant costs, 43–44
gains from trade under, 45–47
Constant elasticity of substitution (CES) production function, 151
Constant returns to scale, 78
in Heckscher-Ohlin theory, 111
Consumer price index (CPI), 561–562
Consumer surplus and tariffs, 225–226
Consumption
function, 542–545
general equilibrium of, 104–106
tariff, consumption effect of, 224
Contract curves, 82
Contractory fiscal policy, 574
Corporations. See Multinational corporations (MNCs); specific corporations
Costa Rica
Canada, free trade agreement (FTA) with, 316
in Central American Common Market (CACM), 316
dollarization by, 667
DRCAFTA (Dominican Republic-Central American Free Trade Agreement) with, 284, 314
Environmental Performance Index (EPI) ranking, 179
Cote d’Ivoire in West African Economic and Monetary Union (WAEMU), 316
Cotton subsidies in U.S., 267
Council of Foreign Relations web site, 539, 572
Council of Ministers, 312
Council of Mutual Economic Assistance (CMEA or COMECON), 318–321
Countertrade and bilateral agreements, 319
Countervailing duties (CVDs), 288
Court of Justice of EU, 312
Covered interest arbitrage, 446–450
  covered interest arbitrage margin (CIAM), 449–450
derivation of formula for, 459–460
covered interest arbitrage parity (CIAP), 447–449
derivation of formula for, 459–460
Covered interest arbitrage margin (CIAM), 449–450
derivation of formula for, 459–460
Covered interest arbitrage parity (CIAP), 447–449
CPI (consumer price index), 561–562
Crawling peg system, 669, 670
IMF members and, 672
Credits and debits
  credit tranches, 693
foreign exchange market, credit function of, 426
international transactions as, 398–399
Credit tranches, 693
Croatia and European Union (EU), 321
Cross-exchange rate, 429–431
  arbitrage and, 431–432
Cuba in Council of Mutual Economic Assistance
  (CMEA or COMECON), 318
Curacao, exchange rate arrangements of, 672
Currency. See also Financial crises; specific currencies
  autonomous increase in value, 561–562
convertibility, 692–693
intervention currency, 692
pass-through, 524–526
Currency board arrangements (CBAs), 665–667, 702
dollarization and, 666–667
Current account balance. See also United States
  Asian Financial Crisis of 1997, effect of, 557
  autonomous increase in, 561–562
  in developing nations, 554
  European Financial Crisis and, 524
  for G-7 countries, 574–575
  pass-throughs and, 524–526
  private sector balances, 549
Current account net debit balance, 406
Current events sources, 25
Customs unions, 302. See also Trade-creating customs
  unions; Trade-diverting customs unions
dynamic benefits from, 308–309
  static welfare effects of, 307–308
theory of the second best and, 306–307
Cyprus and European Union (EU), 312
Czechoslovakia
  in Council of Mutual Economic Assistance
    (CMEA or COMECON), 318
EU, free trade association (FTA) agreement with, 320
Czech Republic
  Big Mac prices in, 467
  in Central European Free Trade Association (CEFTA), 321
current account balance of, 554
European Union (EU) and, 312, 321
GDP (gross domestic product), growth of, 554
inflation targeting in, 633
  restructuring economy of, 320
D
Daimler-Chrysler, 3, 262
  as multinational corporation (MNC), 380
Darusalam in ASEAN (Association of South East Asian Nations), 317
Data Quality Assessment Framework, 712
Deadweight loss of tariff, 227
Death. See Infant/child mortality
Debt. See also Deficits
  developing nations, burden in, 353–354
  of Eurozone countries, 665
  Maastricht Treaty and, 659–661
  of United States, 414
De facto classification of exchange rate arrangements, 679–681
Deficits, 406–407
  budget deficits and current account of U.S., 585–586
  China, U.S. trade deficit with, 411
  external deficit, 583–584
  fiscal policies for unemployment and external deficit, 583–584
  Japan, U.S. trade deficit with, 410
  Maastricht Treaty and, 659–661
  monetary policies for unemployment and external deficit, 583–584
Deindustrialization, 60
  factors responsible for, 71
Delivery lag, 518
Dell Computers, 2
Demand curve
  flexible exchange rates and, 509–511
  identification problem and, 517–518
  price elasticities and, 517–518
Demand for money, 471–473
  demand curve, 580
  extended portfolio balance model and, 483
  speculative demand for money, 580
Democratic Republic of Congo in South Africa Development Community (SADC), 316
Denmark. See also EFTA (European Free Trade Association); European Union (EU)
Big Mac prices in, 467
  Exchange Rate Mechanism II (ERM II) and, 662
  international competitiveness ranking of, 175
  Maastricht convergence indicators, 660
Depreciation
  absorption approach, 558–559
  beachhead effect, 526
  current account balance of United States and, 523
  defined, 429
Depreciation (continued)
in developing nations, 512–513
domestic prices, effect on, 531–533
East Asia, currency depreciation in, 512–513
effective exchange rate and, 431
of Euro (€), 438–439
European Financial Crisis and, 524
Latin America, currency depreciation in, 512–513
monetary approach to the balance of payments and, 474–475
portfolio balance model and, 485
synthesis of automatic adjustments and, 560–562
time path to new equilibrium exchange rate and, 487–489
Depression. See Great Depression
Desired or planned investment, 542–545
Destabilizing speculation, 443
crawling peg system and, 670
fixed exchange rates and, 650–652
managed floating exchange rate system and, 670–673
Devaluation, 508
absorption approach, 558–559
crawling peg system and, 670
currency crises and, 711–712
domestic prices, effect on, 531–533
fixed exchange rate and, 578
international macroeconomic policy coordination and, 673
supply curve and, 512
of United States dollar, 699
Developing nations. See also Trade liberalization
buffer stocks, 345
classification of countries as, 331
commodity terms of trade of, 340–342
contributions of trade to, 335–336
current account balance in, 554
depreciation of currency in, 512–513
deterioration of terms of trade in, 339–340
Doha Round, gains from, 285
discernible distortions and protectionism, 271–272
domestic goals, tariffs vs. subsidies and, 294–295
domestic value added, 230
domestic value added, and, 230
Dominica in CARICOM, 316
Dominican Republic, free trade agreements (FTAs) with, 284
double-entry bookkeeping, 399–401
double factoral terms of trade, 339
inward and outward stock of foreign direct investment (FDI), 374–375
manufactures in total exports of, 350–351
marketing boards, 345
New International Economic Order (NIEO) and, 354–355
non-agricultural products, subsidies on, 223
poverty in, 15, 351–352, 717–718
purchase contracts, 346
supply and demand in, 334–335
terms of trade of, 96, 339–342
trade integration among, 316–318
trade problems of, 354–356
traditional trade theory and, 332–333
Uruguay Round, gains from, 285
Differentiated products, 163–164
Direct controls, 575, 600–603
international cooperation and, 602–603
Direct investments, 367
fluctuations in direct investments flows to U.S., 370–371
foreign direct investments (FDI), 370–371
investments abroad by area by U.S., 369
inward and outward stock of foreign direct investment (FDI), 374–375
long-term private international investments by U.S., 370
motives for, 373–374
Direction of Trade Statistics (IMF), 25, 155, 693
Direct price of foreign currency, 430
Dirty floating, 671
Dirty industries, 178
Discount rate, 690
Discrimination
GA TT (General Agreement on Tariffs and Trade) and, 279
international price discrimination, 293–294
Discretionary power, 305
Disequilibrium under foreign exchange rates, 432
Distribution of income. See Income distribution
Division of labor in developing nations, 335
Doha Round, 257, 284–288
benefits from, 288
as development round, 354
Dollar, See Canadian dollar; United States dollar
Dollar glut, 701
Dollarization, 666–667, 702
benefits and costs of, 667
Dollar overhang, 707
Dollar shortage, 698
Dollar standard, 700
Domestic distortion and protectionism, 271–272
Domestic goals, tariffs vs. subsidies and, 294–295
Domestic value added, 230
Dominica in CARICOM, 316
Dominican Republic, free trade agreements (FTAs) with, 284
Double-entry bookkeeping, 399–401
Double factoral terms of trade, 339
DRCAFTA (Dominican Republic-Central American Free Trade Agreement), 284, 314
Drought in Sub-Saharan Africa, 355
Dumping, 264–265. See also Antidumping international price discrimination, 293–294
web site discussions, 299
Dutch disease, 514
Dutiable imports, U.S. average tariff rates on, 282
Duty-free zones, 302
Dynamic analysis, 190
Dynamic external economies, 184
specialization and, 184–185

E
Early-warning financial indicators, 712
East African Community (EAC), 316, 326
East Asia
currency depreciation and inflation in, 512–513
foreign debt burden of, 353–354
GDP growth in, 337
inflation in, 512–513
population, economic and health indicators in, 351–352
Eastern Europe
Council of Mutual Economic Assistance (CMEA or COMECON) and, 318–321
economic integration in, 318–321
East Germany
in Council of Mutual Economic Assistance (CMEA or COMECON), 318
rebuilting of, 674
Easy monetary policy, 574
Economic and Monetary Community of Central Africa (ECCAS), 326
Economic Community of West African States (ECOWAS), 326
Economic Cooperation Organization (ECO), 327
Economic crises. See Financial crises
Economic exposure, 440
Economic integration, 301
in Central and Eastern Europe, 318–321
with developing nations, 316–318
European Union (EU) and, 309–312
in Former Soviet Republics, 318–321
intra-regional-trade-agreement (RTA) exports, 319
trade pattern changes with, 319
Economic nationalism, 33
The Economic Report of the President, 24
web site, 28, 299, 686
Economic unions, 302
Economies of scale
customs unions and, 308
in developing nations, 335
endogenous growth theory and, 336
external economies compared, 162
and international trade, 159–163
intra-industry trade and, 166
multinational corporations (MNCs) and, 378, 379
new international economies of scale, 161–162
outsourcing and, 161
outsourcing and, 161
The Economist, 25
Ecuador. See also Mercosur (Southern Common Market)
in Andean Community, 316
dollarization by, 667
Edgeworth box diagram, 79–82
factor-price equalization theorem and, 142, 143
Education
immigration and levels of, 387
Millennium Development Goals (MDGs) and, 355
EE curve, 576–578
Effective exchange rate, 431
Efficiency
flexible exchange rates and market efficiency, 647
of foreign exchange markets, 450–451
output per worker and, 200
EFTA (European Free Trade Association), 327
Canada and, 316
current members of, 313
as free trade area, 301
trade integration and, 312–313
Uruguay Round, gains from, 285
Egypt
Big Mac prices in, 467
EU, free trade agreement (FTA) with, 315
manufactures exports in, 351
trade reforms in, 350
Elasticities, 507, 558. See also Price elasticities
capital flows, fiscal/monetary policies with, 584–586
optimism/pessimism, 517
Elasticity of substitution, 137
and factor-intensity reversal, 150–151
Leontief paradox and, 151
Electronic transfers and foreign exchange market, 426
El Salvador
in Central American Common Market (CACM), 316
dollarization by, 667
DRCAFTA (Dominican Republic-Central American Free Trade Agreement) with, 284, 314
Emerging markets, strengthening, 712
Employment. See also Labor; Outsourcing;
Unemployment
expansionary fiscal policy and full-employment level, 581–582
foreign investments and, 377
of multinational corporations (MNCs), 379–380, 381
offshoring, 161
prices and full employment, 597
tight monetary policy and full-employment level, 581–582
Endogenous growth theory, 336–337
Energy Information Administration web site, 108
Engine of growth, trade as, 333–335
England. See United Kingdom
Subject Index

England’s Treasure by Foreign Trade (Munn), 33
Enterprise for the American Initiative (EAI), 314
Entire industry output expands, 162
Environment. See also Climate change
degradation of, 15
   Environmental Performance Index (EPI), 179
globalization and, 4
   international environmental law websites, 299
   international monetary system and degradation of, 718
   international trade and standards for, 178–179
   labor and environmental standards, 287
   pollution, 178
   standards for, 178–179
Environmental Performance Index (EPI), 179
Equilibrium, 76–78
   in closed economy, 621–623
   Mundell-Fleming model and, 578–581
   producers in, 77–78
Equilibrium foreign exchange rates, 427–431
Equilibrium in isolation, 62–64
   equilibrium-relative commodity price in isolation, 63–64
   illustration of, 62–63
Equilibrium national income, 542–545
   in closed economy, 542–545
   foreign repercussions and, 556
   in small open economy, 548–551
Equilibrium-relative commodity prices, 46–47
   in isolation, 63–64
   with trade, 66–67
Equilibrium-relative price with trade
   general equilibrium analysis, 91–92
   with partial equilibrium analysis, 86–88
Escape clause, 279–280
Estonia
   in Baltic Free Trade Agreement (BAFTA), 321
   currency board arrangements (CBAs) in, 665
   European Union (EU), membership in, 312
   Exchange Rate Mechanism II (ERM II) and, 662
   restructuring economy of, 320
Euler’s theorem, 145–146
Eurasian Economic Community (EEC), 327
Eurex, 436
Euro (€). See also Eurocurrency market; Foreign exchange rates
   balance of payments and, 432–434
   conversion rates for, 662
   creation of, 427, 660–663
   depreciation of, 438–439
   exchange rate policy for, 664
   forecasting exchange rate for, 491–492
   foreign exchange risks and, 438–439
   relative international importance of, 426
   United States demand for, 429
Eurobonds, 455
EUROBORB, 455
Eurocredits, 455
Eurocurrency, 451–455. See also Eurocurrency market
   Eurocurrency market, 695
   arbitrage and, 453
   dollar overhang and, 707
   effects of, 454
   growth of, 453
   operation of, 454
   reasons for development and growth of, 452–453
   size of, 453
Eurodeposits, 451–452
Eurodollars, 451
Euro Mediterranean Free Trade Area (EMFTA), 315
Euronext Liffe, 436
Euronotes, 455
European Central Bank (ECB), 659
   Eurozone crisis and, 664
   inflation targeting and, 633
   international macroeconomic policy
coordination and, 674
   monetary policy and, 663–665
   rapid growth, interest rates and, 598–600
   web site, 686
European Commission (EC), 312
   web site, 686
European Common Market. See Common Market
European Currency Unit (ECU), 657
European Economic Area (EEA), 313, 327
European Free Trade Association (EFTA). See EFTA
( European Free Trade Association)
European Monetary Cooperation Fund (EMCF), 657
European Monetary Institute (EMI), 659
European Monetary System (EMS), 657–665
   formation of, 702
   monetary union goal, 658–659
European Monetary Union (EMU), 426, 427, 660
   web site, 572
European options, 436
European Parliament, 312, 663–664
European snake, 700
European System of Central Banks (ESCB), 663
European Union (EU), 302, 327. See also Euro (€);
   Eurozone; Maastricht Treaty
   agricultural subsidies in, 267–268
   aircraft subsidies by, 268
   antidumping investigations by, 266
   Asian Financial Crisis of 1997, effect of, 557
   automobile products, intra-industry trade in, 163–164
   banana imports, restrictions on, 265
   benefits and costs of, 663
   Big Mac prices in, 467
   Cotonou Agreement and, 311
   common agricultural policy (CAP), 267–268
   comparative advantage of, 64
deindustrialization in, 71
direct investments by U.S. in, 369
economic integration and, 309–312
economic profile of, 310
   export stability, scheme for, 346
   factor intensity of trade, 122–123
   fiscal policy of U.S., effect of, 588–589
   free trade agreements (FTAs) of, 315
   gains from single EU market, 311–312
GNI (gross national income) in, 205–206
industrial products, tariffs on, 232–233
informational web sites, 330
international macroeconomic policy coordination and, 674
intra-regional-trade-agreement (RTA) exports and, 319
Lomé Convention and, 311
multinational corporations (MNCs) of U.S., employment by, 381
new partnership agreements (NPAs), 311
nonagricultural products, tariffs on, 222
pervasiveness of nontariff trade barriers (NTBs) in, 268–269
population, economic and health indicators in, 351–352
purchase power parity (PPP) in, 205–206
recession and, 14
structural imbalances in, 716–717
tariffs, economic effect of, 228–229
temporal labor migration in, 386
trade agreements, 327
trade bloc problem, 287
Trade Expansion Act of 1962 and, 280
transition economies and, 717
Uruguay Round and, 284, 285
U.S., imports from, 34
voluntary export restraints (VERs) on Japanese automobiles, 262
web site, 299, 686
EuroStat (the Statistical Office of European Communities) web site, 155
Eurosterling, 451
Eurozone, 427
2012, countries as of, 661
Exchange controls, 600, 601–602
multiple exchange rates, 602
Exchange rate bands, 667–668, 669
Exchange Rate Mechanism (ERM), 658
Exchange Rate Mechanism II (ERM II), 662
Exchange rates. See Foreign exchange rates
Exercise price, 436
Expansionary fiscal policy, 574
full-employment level and, 581–582
from natural level of output and recession under fixed exchange rates, 630
policy mix and, 594
Expansion paths, 78
Expectations
monetary approach to the balance of payments and, 478–480
portfolio balance model and, 482
for prices, 622
spot rate, expected change in, 482–484
Taylor monetary rule and, 492
Expenditure-changing policies, 573–574
internal and external balance with, 576–578
Expenditure-switching policies, 575
internal and external balance with, 576–578
Export-Import Bank, 266
web site, 299
Export instability
cause and effects of, 343–344
and developing nations, 343–346
international commodity agreements and, 345–346
measurements of, 344–345
Export pessimism, 354
Export productivity index, 338–339
Exports. See also Imports
capital, major net exporters and importers of, 11
commercial services, leading importers and exporters of, 23–24
geographical destination of, 22–23
index of export to import prices for U.S., 88
industrialization, export-oriented, 347
major goods exports and imports of U.S., 403
merchandise, leading importers and exporters of, 22–23
overlapping demands hypothesis, 163
preference similarity hypothesis, 163
small open economy, export function of, 548
Export subsidies, 266–270
analysis of, 269–270
countervailing duties (CVDs) and, 268
pervasiveness of, 268–269
Export tariffs, 221
optimum tariff and, 240–241
Extended Fund Facility (EFF), 704
Extended portfolio balance model, 482–484
External balance, 573, 576–578
fiscal policy from unemployment and, 581–582
monetary policy from unemployment and, 581–582
Mundell-Fleming model and, 578–581
policy mix and, 594–596
External deficit
fiscal policies for unemployment and, 583–584
monetary policies for unemployment and, 583–584
External economies
dynamic external economies, 184
economies of scale compared, 162
and pattern of trade, 182–185
specialization and, 183–184
Extraterritorial income provisions of U.S. tax code, 267
F
Factor abundance, 114–118
defined, 114
and production frontiers, 115–118
of various countries, 116–117
Factor-endowment theory, 118
comparative advantage and, 136
Factor intensity, 112–114. See also Heckscher-Ohlin theory
of major product categories, 122
of trade of various countries, 122–123
Factor-intensity reversal, 137–138
elasticity of substitution and, 150–151
Factor-intensity reversal (continued)
empirical tests of, 151
illustration of, 148–149
Factor-price equalization theorem, 118. See also Real wage rate of labor
absolute factor-price equalization, 125–126, 145–146
convergence of real wages in industrial countries, 130
Edgeworth box diagram and, 142, 143
empirical relevance of, 129–131
factor intensity reversal and, 137–138
and income distribution, 123–131
relative factor-price equalization, 125–126, 142–145
specific-factors model and, 128–129
Factor prices and Rybczynski theorem, 192–193
Factor-proportions theory, 118
Famine. See Hunger and starvation
Fast track of president to negotiate trade agreements, 284–285
website discussions, 299
Federal Reserve Bank
central bank independence and inflation, 632
inflation targeting and, 633
rapid growth, interest rates and, 598–600
Federal Reserve Bank of New York website, 686
Federal Reserve Bank of St. Louis website, 462, 503, 539, 572, 615, 644, 686
Federal Reserve Board
Board of Governors website, 28
international macroeconomic policy
coordination and, 674
monetary policy and, 596
Multi-Country Model of, 561, 592–593
Regulation Q, 452
website, 644
Federal Reserve Bulletin, 24, 25
FIAT Corporation, 262
Financial account, 406
Financial capital. See Capital
Financial crises
chronology of, 710–711
in emerging market economies, 709–714
of Group of Twenty (G-20) economies, 712–714
Mexican peso, collapse of, 709
original sin and, 712
Financial inflows, 399
Financial outflows, 399
Financial Times, 25
Finland. See also EFTA (European Free Trade Association); European Union (EU)
Euro (€), conversion rates for, 662
international competitiveness ranking of, 175
Maastricht convergence indicators, 660
First-credit tranche, 703–704
Fiscal policies, 573–574. See also Monetary policies;
Policy mix
and aggregate demand in open economies, 629
with elastic capital flows, 584–586
from external balance and unemployment, 581–582
from external deficit and unemployment, 583–584
flexible exchange rates and, 647–648
government of U.S. determining, 596
Mundell-Fleming model and, 578–581
open-economy trilemma, 654–655
with perfect capital mobility, 586–589
United States fiscal policies, 588–589, 599
Fixed exchange rates. See also Gold standard
adjustable peg systems and, 668–670
aggregate demand under, 624–625
case for, 649–655
currency board arrangements (CBAs) and,
665–667
devaluation and, 578
exchange rate bands, 667–668, 669
expansionary fiscal policies from natural level of output and recession under, 630
flexible exchange rate vs., 645–646
IS-LM-BP model with, 581–589
macroeconomic performance and, 653, 697
open-economy trilemma, 654–655
optimum currency areas and, 656–657
perfect capital mobility with fixed exchange rates, fiscal/monetary policies with,
586–589
price discipline and, 652–654
speculation and, 650–652
trade problem and, 569
uncertainty, avoidance of, 649–650
Flexible credit line (CL), 704
Flexible exchange rates, 428
adjustments with, 508–512
aggregate demand under, 625–626
balance-of-payments adjustments with,
508–509
case for, 646–648
demand curve, derivation of, 509–511
domestic prices, effect on, 512–514
economic shocks affecting aggregate demand in open economies with, 626–629
fixed exchange rates vs., 645–646
fold standard and, 528
freely flexible exchange rate system, 433
macroeconomic performance, 653, 697
aggregate demand and, 626–629
market efficiency with, 647
Marshall-Lerner condition, 516–517
open-economy trilemma, 654–655
optimum currency areas and, 656–657
policy advantages with, 647–648
stability/instability of foreign exchange markets and, 514–516
supply curve, derivation of, 511–512
synthesis of automatic adjustments and,
560–562
terms of trade, effect on, 512–514
United States dollar, effective exchange rate of, 521–522
Floating exchange rate system, 433. See also
Managed floating exchange rate system
IMF members and, 672
Footloose industries, transportation costs of, 178
Ford Motor Co.
 as multinational corporation (MNC), 380
Probe, 3
Forecasting exchange rates. See Foreign exchange rates
Foreign bonds, 455
Foreign direct investments (FDI), 370–371
Foreign exchange brokers, 424
Foreign exchange futures, 436–437
hedging and, 441
Foreign exchange markets, 12
Bank for International Settlements (BIS), 425–426
credit function of, 426
currencies of, 437
defined, 423
efficiency of, 450–451
electronic transfers and, 426
functions of, 423–427
geographic distribution of, 437
levels of participants in, 424
Marshall-Lerner condition, 516–517
risks of, 438–440
size of, 437
stability/instability of, 514–516
web site information, 462
Foreign exchange options, 436–437
hedging and, 441
Foreign exchange rates, 427–434. See also Fixed exchange rates; Flexible exchange rates; Monetary approach to the balance of payments; Portfolio balance model; Purchasing-power parity (PPP) theory arbitrage and, 431–432
and balance of payments, 432–434
carry trade, 445–446
cross-exchange rate, 429–432
de facto classification of exchange rate arrangements, 679–681
disequilibrium under, 432
domestic prices, effect on, 531–533
effective exchange rate, 431
efficiency of foreign exchange markets and, 450–451
equilibrium foreign exchange rates, 427–431
excessive fluctuations/misalignment in, 14
with flexible exchange rate system, 428
fluctuations of, 438–440
forecasting, 487–489
empirical tests of, 489–492
freely floating exchange rate system, 648
hedging and, 441–442
inflation differentials and, 469
international capital flows and, 507–508
macroeconomic performance and, 697
multiple exchange rates, 602
overshooting, 486–489
current problems with, 706
of U.S. dollar, 490–491
pass-throughs, 524–526
quotations for, 430
speculation and, 442–444
spot rates, 434–435
time path to new equilibrium exchange rate, 487–489
web site information, 462
Foreign exchange risk, 438–440
covered interest arbitrage and, 446
hedging, 441–442
speculation and, 442–444
Foreign exchange swaps, 435–436
Foreign investments, 367–368. See also Direct investments; International capital flows; Portfolio investments
direct investments, 368
long-term private international investment positions of U.S., 369
portfolio investments, 368
Foreign repercussions, 555–557
foreign trade multipliers with foreign repercussions, derivation of, 566–568
Foreign Sales Corporations (FSC) provisions of U.S. tax code, 267
Foreign trade multiplier, 551–555
foreign repercussions and, 556
mathematical derivation of, 566–568
Formal derivation of offer curves, 101–104
outline of, 104–105
Former Soviet Republics. See also specific nations
Central and Eastern European Countries (CEEC), 320–321
economic integration in, 318–321
web sites about, 330
Forrester Research Inc., 70
Fortune, 25
Forward contracts, 437
Forward discounts (FD), 435
Forward premiums (FP), 435
Forward rates, 434, 489
Franc. See Swiss franc
France. See also European Union (EU); G-7 countries; G-20 countries
capital deepening and output per worker, 200
capital-labor ratio of, 117, 196
central bank independence and inflation, 632
current account balance in, 524
effective exchange rates in, 524
efficiency change and output per worker, 200
Environmental Performance Index (EPI) ranking, 179
Euro (€), conversion rates for, 662
exchange controls by, 601
export volume in, 208–209
factor abundance of, 116–117
GDP (gross domestic product) growth in, 208–209
gold standard and, 690–691
government debts and budget deficits of, 665
Subject Index

Frace (continued)
income elasticity of imports, 547
inflation rate in, 476
international macroeconomic policy coordination and, 674
International Monetary Fund (IMF)
balance-of-payments summary for, 419
intra-industry trade, growth of, 167
inward and outward stock of foreign direct investment (FDI), 374–375
labor migration in, 386
Maastricht convergence indicators, 660
monetary growth in, 476
multinational corporations (MNCs) of U.S., employment by, 381
output per worker, growth in, 200
pass-through elasticities for, 525
private sector balances of, 549
real hourly wage in manufacturing in, 130
technical progress and output per worker, 200
terms of trade changes in, 208–209
trade imbalances in, 716
as trade partner of U.S., 409
traditional and purchasing-power parity (PPP) per capita incomes in, 359
U.S. companies, manufacturing for, 2
war damage reparations paid by, 391
Free economic zones, 32
Freeloader nations, 279
Freely floating exchange rate system, 433, 648
fluctuation in rates with, 688
Free trade, 275
GATT (General Agreement on Tariffs and Trade) and, 279–280
skepticism of, 84
Free trade agreements (FTAs), 284, 286, 314–316
Free trade agreement (FTA) with U.S., 284, 314
Free Trade Area of the Americas (FTAA), 314, 316, 326
web sites about, 330
Free trade areas, 301–302
Frictional unemployment, 573
Full-employment. See Employment
Fundamental disequilibrium, 692
Future. See Foreign exchange futures

Gains from exchange, 69–70
Gains from specialization, 69–70
Gains from trade, 31, 37–39
constant costs and, 45–47
exchange, gains from, 69–70
illustration of, 45–46
with increasing costs, 64–72
relatively commodity prices and, 46–47
specialization and, 67–70
Game theory, 275–277
GATT (General Agreement on Tariffs and Trade), 279–280
Kennedy Round and, 695
trade liberalization and, 349–350
trade rounds sponsored by, 286
GDP (gross domestic product). See also International trade
complete trade liberalization, benefits of, 273–274
developing nations, growth in, 554
Eastern Asia, growth in, 337
European Union (EU) and, 311–312
extended portfolio balance model and, 483
factor endowments of various countries, 116–117
globalizers, growth of GDP in, 348–349
gravity model and, 9–10
growth of, 7, 8
imports and exports and, 6
interdependence and, 6–7
nonglobalizers, growth of GDP in, 348–349
per capita GDP, 208–209
portfolio balance model and, 483, 485
rich countries, growth of GDP in, 348–349
short-run outputs in United States, 623
United States, growth in, 208–209, 553
variety gains with international trade and, 165
world GDP, growth of, 553
Gender equality and Millennium Development Goals (MDGs), 355
General Agreement on Tariffs and Trade (GATT). See GATT (General Agreement on Tariffs and Trade)
General Arrangements to Borrow (GAB), 602, 695–696
expansion of, 704
General Data Dissemination System (GDDS), 712
General Electric, 380
General equilibrium analysis, 91–92, 96–97. See also Tariffs
Heckscher-Ohlin theory and, 119–120
Meade, James and, 104–106
partial equilibrium analysis and, 93–94
of production, consumption, and trade, 104–106
stable and unstable equilibria, 107
trade-diverting customs unions, static welfare effects of, 324–325
of transportation costs, 176
Generalized System of Preferences (GSP), 281
General Motors (GM), 262
as multinational corporation (MNC), 380
Geography and composition of international trade, 20, 22
and export destination, 22–23
German mark
exchange rate indices for U.S. dollar and, 477–478
interest rate differentials and exchange rate index for, 480
Germany. See also East Germany; European Union (EU); G-7 countries; G-20 countries
capital deepening and output per worker, 200
capital-labor ratio of, 117, 196
central bank independence and inflation, 632
current account balance in, 524
effective exchange rates in, 524
efficiency change and output per worker, 200
Euro (€), conversion rates for, 662
exchange controls by West Germany, 601
export volume in, 208–209
factor abundance of, 116–117
GDP (gross domestic product) growth in, 208–209
government debts and budget deficits of, 665
income elasticity of imports, 547
inflation rate in, 476
international competitiveness ranking of, 175
international macroeconomic policy coordination and, 674
International Monetary Fund (IMF) balance-of-payments summary for, 419
intra-industry trade, growth of, 167
inward and outward stock of foreign direct investment (FDI), 374–375
labor migration in, 386
Maastricht convergence indicators, 660
as major trade partner, 9–10
monetary growth in, 476
multinational corporations (MNCs) of U.S., employment by, 381
output per worker, growth in, 200
pass-through elasticities for, 525
per capita GDP changes in, 208–209
price elasticities for imports and exports, 521
private sector balances of, 549
real hourly wage in manufacturing in, 130
technical progress and output per worker, 200
temporary labor migration in, 386
terms of trade changes in, 208–209
trade imbalances in, 716
as trade partner of U.S., 409
traditional and purchasing-power parity (PPP) per capita incomes in, 359
voluntary export restraints (VERs) on Japanese automobiles, 262
war damage reparations paid by, 391
Zollverein, 302
Ghana
cocoa marketing board of, 345
inflation targeting in, 633
Global economy, 1–2
Globalization, 3–5
antiglobalization movement, 287
India and, 5
job loss rates and, 162
poverty and, 355–356
trade barriers and, 715
Globalizing developing nations, 348–349
Global monetarists, 474
Global warming. See Climate change
GNI (gross national income)
foreign debt of developing nations and, 353–354
as measure of economic size, 205–206
GNP (gross national product), 561–562
Gold. See also Gold standard
international reserves, 701
private ownership of, 702–703
Gold-exchange standard, 692–693
Gold export point, 527, 689
Gold import point, 527
Gold points, 689
Gold pool. See Special Drawing Rights (SDRs)
Gold standard, 526–528, 688–691
from 1880–1914, 689–690
graphical derivation of gold points and gold flows under, 536–537
Great Depression and, 691
international gold points and gold flows, 532–533
interwar experience and, 690–691
macroeconomic performance under, 697
price-specie-flow mechanism, 527–528
rules of the game of, 528, 689
Gold tranches, 693–694
first-credit tranche, 703–704
Goods market and Mundell-Fleming model, 578–581
Government. See also Balance of payments
government expenditures, 574
fiscal policy and, 596
G-7 countries, average government balance in, 574–575
mercaptanilism and, 33
procurement policies, 263
Gravity model, 9–10
web site for, 28
Great Britain. See United Kingdom
Great Depression, 4
destabilizing speculation and, 651
gold standard and, 526–528, 691
international economics and, 13–14
Greece. See also European Union (EU)
Eurozone crisis and, 664–665
government debts and budget deficits of, 665
Maastricht convergence indicators, 660
Grenada in CARICOM, 316
The Grenadines in CARICOM, 316
Gross domestic product (GDP). See GDP (gross domestic product)
Gross national income (GNI). See GNI (gross national income)
Group of 7 countries. See G-7 countries
Group of Ten nations, 602
Group of Twenty (G-20) economies, 712–714
Growth. See also Developing nations; Labor growth;
Rybczynski theorem
in capital stock per worker, 195–196
endogenous growth theory, 336–337
immiserizing growth, 202–203
international monetary system, slow growth and, 714
large-country case for growth and trade, 201–205
Growth (continued)
  macroeconomic policies for, 634–635
  small-country case of growth and trade, 196–201
taste changes affecting, 208
two nations, growth and trade in, 206–209

G-7 countries
  current account balances in, 574–575
  fixed exchange rate, macroeconomic performance and, 653
  flexible exchange rate, macroeconomic performance and, 653
  government balance in, 574–575
  income elasticity of imports, 547
  pass-through elasticities for, 525
  price elasticities for imports and exports, 521
  private-sector balance in, 549, 574–575
terms of trade of, 95
  trade imbalances in, 716

G-20 countries
  antidumping investigations by, 266
  intra-industry trade for, 168

Guatemala
  in Central American Common Market (CACM), 316
  DRCAFTA (Dominican Republic-Central American Free Trade Agreement) with, 284, 314
  inflation targeting in, 633

Guinea Bissau in West African Economic and Monetary Union (WAEMU), 316

Gulf Cooperation Council (GCC), 315, 326

Guyana in CARICOM, 316

H

Haiti in CARICOM, 316

Health regulations, 262–263

Heat pollution, 178

Heckscher-Ohlin theory, 109, 118–123. See also Factor-price equalization theorem; H-O theorem
  assumptions of, 110–112
  empirical tests of, 131–138
  factor intensity reversal and, 137–138
  general equilibrium nature of, 119–120
  H-O theorem, 118–119
  illustration of, 120–123
  intra-industry trade and, 166
  Leontief paradox, 131–136
  meaning of assumptions, 110–112
  and new trade theories, 158–159
  portfolio investments and, 371–372
  Ricardian trade model and, 50
  with skills and land, 135
  specific-factors model and, 128–129
  taste differences, trade based on, 73

Hedging, 441–442

Herzegovina. See Bosnia and Herzegovina

Hewlett Packard
  foreign manufacturing for, 2
  as multinational corporation (MNC), 380

Hicksian technical progress. See Technical progress

High import-competing industries, job losses in, 70

High-Level Symposium on Trade and the Environment, Geneva, 1999, 178

Highly skilled labor
  factor endowments of various countries, 116–117
  factor intensity of, 122
  High-performance Asian economies (HPAEs), 337
  protectionism and, 354
  High-powered money, 472
  Hitachi as multinational corporation (MNC), 380

HIV/AIDS
  Millennium Development Goals (MDGs) and, 355
  Sub-Saharan Africa and, 355

Home-nation laws, 382

Homogeneous of degree 1, 78

Honda Motors
  Accord, 3
  as multinational corporation (MNC), 380

Honduras
  Canada, free trade agreement (FTA) with, 316
  in Central American Common Market (CACM), 316
  DRCAFTA (Dominican Republic-Central American Free Trade Agreement) with, 284, 314
  H1-B visa program, 387

Hong Kong
  Big Mac prices in, 467
  currency board arrangements (CBAs) in, 665
  current account balance of, 554
  economic crisis of 1997, 337
  exchange rate arrangements of, 672
  GDP (gross domestic product), growth of, 554
  as high-performance Asian economy (HPAE), 337
  international competitiveness ranking of, 175
  inward and outward stock of foreign direct investment (FDI), 374–375
  Uruguay Round, gains from, 285

Horizontal integration, 373
  multinational corporations (MNCs) and, 378

H-O-S theorem. See Factor-price equalization theorem

H-O theorem, 118–119. See also Factor-price equalization theorem
  factor intensity reversal and, 137–138
  general equilibrium and, 120

Hot money flows, 708–709

Housing market
  crisis in U.S., 713
  international economics and, 13–14

Human capital and Leontief paradox, 134

Hungary
  Big Mac prices in, 467
  in Central European Free Trade Association (CEFTA), 321
  in Council of Mutual Economic Assistance (CMEA or COMECON), 318
  European Union (EU) and, 312, 321
free trade association (FTA) agreement with, 320
inflation targeting in, 633
intra-industry trade, growth of, 167
pass-through elasticities for, 525
restructuring economy of, 320
Hunger and starvation, 15
Millennium Development Goals (MDGs) and, 355
Sub-Saharan Africa and, 355
Hyundai Motors, 380
IBM
India, outsourcing to, 5
as multinational corporation (MNC), 380
Iceland. See also EFTA (European Free Trade Association)
inflation targeting in, 633
Identification problem, 517–518
IMF (International Monetary Fund). See International Monetary Fund (IMF)
IMF conditionality, 704–705
IMF Interim Committee, 708
IMF Survey Magazine, 25
Immigration. See also International labor migration
U.S., debate and policy in, 386–387
wage inequalities and, 127–128
Immigration Reform and Control Act of 1986, 386–387
Immiserizing growth, 202–203
Imperfect capital mobilities, IS-LM-BP model with, 589–591
Imperfect competition, 163–175
Import productivity index, 339
Imports. See also Balance of payments; Exports;
Nontariff trade barriers (NTBs); Price elasticity; Quotas; Tariffs
capital, major net exporters and importers of, 11
commercial services, leading importers and exporters of, 23–24
GDP (gross domestic product) and, 6
income elasticity of imports, 547
input-output table and, 131
intra-regional-trade-agreement (RTA) exports, 319
leading industrial countries, volume changes for, 208–209
major goods exports and imports of U.S., 403
major trade partners of U.S., 9–10
merchandise, leading importers and exporters, 22–23
petroleum export to import prices, index of, 88
R&D science and, 173
restrictions on, 33–34
small open economy, import function of, 546–547
voluntary export restraints (VERs), 261–262
Import substitution, 131–132
developing nations and, 346–351
experience with, 348–349
Import-substitution industrialization (ISI) strategy, 347
trade liberalization and, 349
Import tariffs, 221
import quotas compared, 260
infant-industries and, 261–262
optimum tariff, 239–241
United States, economic effect of import tariffs in, 228
Uruguay Round and, 232
Income
adjustment mechanism, 508
elasticity of demand of imports, 547
per capita in developing nations, 351–352
Income distribution
short-run income distribution, 146–148
trade and, 126–128
Income inequalities, 352
traditional and purchasing-power parity (PPP) and, 359–360
Income terms of trade, 338
of developing nations, 342
historical movement in, 340–342
Increasing costs. See also Gains from trade
equilibrium-relative commodity prices and, 66–67
illustration of, 58–59
incomplete specialization and, 67
marginal rate of transformation (MRT) and, 59
production frontier with, 58–60
reasons for, 59–60
small-country case and, 69
specialization and, 67–68
Incomplete specialization, 67
Increasing returns to scale, 159–160
Index of export to import prices for U.S., 88
India. See also G-20 countries
antidumping investigations by, 266
Big Mac prices in, 467
capital deepening and output per worker, 200
capital-labor ratio of, 117, 196
current account balance of, 554
efficiency change and output per worker, 200
Environmental Performance Index (EPI) ranking, 179
factor abundance of, 116–117
factor intensity of trade, 122–123
GDP (gross domestic product), growth of, 554
GNI (gross national income) in, 205–206
growth in trade in, 205–206
International Monetary Fund (IMF) balance-of-payments summary for, 420
Japan, free trade agreement (FTA) with, 316
jobs moving to, 1
manufactures exports in, 351
multinational corporations (MNCs) of U.S., employment by, 381
nonagricultural products, tariffs on, 223
output per worker, growth in, 200
population, economic and health indicators in, 351–352
purchase power parity (PPP) in, 205–206
India (continued)
  technical progress and output per worker, 200
  as trade partner of U.S., 409
  trade reforms in, 350
  as unfair trader, 281
  Uruguay Round, gains from, 285
Indirect price of foreign currency, 430
Indonesia. See also G-20 countries
  in ASEAN (Association of South East Asian Nations), 317
  Big Mac prices in, 468
  currency depreciation in, 513
  current account balance of, 554
  foreign debt burden of, 353–354
  GDP (gross domestic product), growth of, 554
  as high-performance Asian economy (HPAE), 337
  inflation in, 513, 633
  Uruguay Round, gains from, 285
Industrialization. See also Import substitution in developing nations, 335, 346–347
  export-oriented industrialization, 347
  import-substitution industrialization (ISI) strategy, 347
Industrial nations. See Developing nations
Industrial policies. See Strategic trade and industrial policies
Industrial Revolution, 3–4
Industry location
  environmental standards and, 178–179
  transportation costs and, 177–178
Infant/child mortality
  in developing nations, 351–352
  and Millennium Development Goals (MDGs), 355
Infant-industry argument, 184, 271–272
Inferior goods, 199
Inflation. See also United States
  central bank independence and, 632
  currency board arrangements (CBAs) and, 665–667
  dollarization and, 667
  East Asia, inflation in, 512–513
  fixed exchange rates and, 652–654
  flexible exchange rates and, 652–654
  Latin America, inflation in, 512–513
  Maastricht Treaty and, 659–661
  monetary growth and, 476
  Phillips curve and, 597
  relative purchasing-power parity (PPP) theory and, 469
  unemployment and, 639, 648
Inflation targeting, 633
Input-output table, 131, 134
Institute for International Economics (IIE) web site, 28, 539, 686
Institute for Management Development (IMD), 175
Intellectualism and Uruguay Round, 283
Inter-American Development Bank, 314
  web site, 572
Interbank market, 424
Interdependence, 6–9
  standard of living and, 7
  of world economy, 561–562
Interest arbitrage, 444–451
  carry trade, 445–446
  covered interest arbitrage, 446–450
  uncovered interest arbitrage, 444–446
Interest Equalization Tax, 601
Interest-group theory of protectionism, 272–273
Interest rates. See also Uncovered interest rate parity
  autonomous increase in, 561–562
  BP curve, 580
  crawling peg system and, 670
  on Eurocredits, 455
  IS curve, 578–579
  LM curve and, 580
  Maastricht Treaty and, 659–661
  monetary approach to the balance of payments and, 478–480
  policy mix and, 597–600
  portfolio balance model and, 482
Inter-industry trade, 166
INTERLINK model, 557
Internal balance, 573, 576–578
  Mundell-Fleming model and, 578–581
  policy mix and, 594–596
Internal factor mobility in Heckscher-Ohlin theory, 111
Internal strife and Sub-Saharan Africa, 355
International Air Transport Association, 263
International Bank for Reconstruction and Development (IBRD). See World Bank
International banking facilities (IBFs), 454
International capital flows, 368–371. See also Direct investments; Multinational corporations (MNCs); Portfolio investments
  balance of payments and, 377
  direct investments abroad by area by U.S., 369
  foreign exchange rates and, 507–508
  hedging and, 441–442
  investing and host countries, welfare effects on, 375–376
  motives for, 371–374
  as passive responses to temporary trade imbalances, 507
  restrictions on, 708–709
  transfer problem, 390–391
  welfare effects of, 374–378
International cartels, 263–264
International Cocoa Agreement, 345
International Coffee Agreement, 345–346
International commodity agreements, 263, 345–346
  buffer stocks, 345
  export controls, 345–346
  purchase contracts, 346
International competitiveness, 175
International Development Association, 693
International economics
  development of, 13
problems and challenges of, 13–15
subject matter of, 12–13
theories and policies, 11–12
International economics of scale, 161–164
International factor mobility in Heckscher-Ohlin theory, 111
International finance, 13
International Finance Corporation, 693
*International Financial Statistics*, 25, 365, 693
International investment position of U.S., 412–414
*International Investment Statistics Yearbook* web site, 393
International labor migration, 4, 383–387
brain drain, 385–386
motives for, 383–384
skilled labor, migration of, 385–386
temporary migration of labor, 386
welfare effects of, 384–386
International macroeconomic policy coordination, 673–674
limited international policy coordination, 674
International Monetary Fund (IMF), 691. *See also* General Arrangements to Borrow (GAB); Special Drawing Rights (SDRs)
borrowing from, 693–694
Brazil, balance-of-payments summary for, 420
Bretton Woods system and, 692
Canada, balance-of-payments summary for, 419
China, balance-of-payments summary for, 420
Compensatory and Contingency Financing Facility (CCFF), 704
compensatory financing scheme for developing nations, 346
conditionality, 704–705
creation of, 692
current operation of, 703–705
Data Quality Assessment Framework, 712
direct controls by IMF members, 603
Direction of Trade Statistics, 25, 155, 693
exchange rate arrangements of members, 672
Extended Fund Facility (EFF), 704
flexible credit line (CL), 704
foreign debt crisis and, 353
France, balance-of-payments summary for, 419
General Data Dissemination System (GDDS), 712
Germany, balance-of-payments summary for, 419
gold tranches and, 693–694
India, balance-of-payments summary for, 420
*International Financial Statistics*, 25, 365, 693
international transactions, method of reporting, 418–422
Italy, balance-of-payments summary for, 419
Jamaica Accords and, 703
Japan, balance-of-payments summary for, 419
Korea, balance-of-payments summary for, 420
Mexico, balance-of-payments summary for, 420
Post-Catastrophe Debt Relief (PCDR), 704
Precautionary Credit Line (PCL), 704
publications of, 693
resident status of, 398
Russia, balance-of-payments summary for, 420
Sovereign Debt Restructuring Mechanism (SDRM), 712
Spain, balance-of-payments summary for, 420
Special Data Dissemination Standards (SDDS), 712
standby arrangements, 695–696
substitution account, 707
Supplemental Reserve Facility (SRF), 704
Systematic Transformation Facility (STF), 704
United Kingdom, balance-of-payments summary for, 419
United States, balance-of-payments summary for, 419
U.S. reserve position in, 404
web site, 28, 84, 108, 218, 686, 728
International Monetary Market (IMM), 436
International monetary system, 687–688. *See also* Breton Woods system
adjustment and, 688
architecture of the present international monetary system, 712
confidence and, 688
dates in modern monetary history, 705–706
emerging markets, crises in, 709–710
growth problems and, 714
hot money flows, restricting, 708–709
liquidity and, 688
objective indicators, development of, 708
poverty in developing countries and, 717–718
present system, operation of, 702–703
problems with current arrangements, 706–707
reform proposals, 707–709
structural imbalances in advanced economies, 715–717
target zones, 707–708
trade barriers and, 715
transparency of, 712
International Natural Rubber Agreement, 345
International organizations. *See also* specific organizations
as data source, 24–25
International price discrimination, 293–294
International reserves, 701
from 1950–1973, 701
historical data on, 722–723
in 2011, 703
International Sematech case. *See* Sematech
International Sugar Agreement, 345
International Tin Agreement, 345
International trade, 12. *See also* Equilibrium-relative price with trade; Terms of trade
automatic monetary adjustments and, 568–570
basic data on, 20–24
commodity composition of, 20–21
economies of scale and, 159–163
environmental standards and, 178–179
general equilibrium of, 104–106
gerographical composition of, 20, 22
gravity model, 9–10
International trade (continued)
growth of, 7, 8
income distribution and, 126–128
industry location and, 178–179
intra-industry trade, 163–166
large-country case for growth and trade, 201–205
major trade partners of U.S., 9–10
product differentiation and, 163–164
rising importance to U.S., 8
small-country case of growth and trade, 196–201
sources of international data and information, 24–25
technology changes and, 172–175
wage inequalities and, 127–128
International Trade Administration, Office of Trade 
and Economic Analysis web site, 84
International Trade Center (ITC), 187
International Trade Organization (IT), 279
International Trade Statistics, 25
web site, 155
International transactions, 398. See also Balance of 
payments
accommodating transactions, 407
accounting principles, 398–401
autonomous transactions, 407
as credits or debits, 398–399
double-entry bookkeeping, 399–401
International Monetary Fund (IMF) reporting 
method, 418–422
interrelation of, 411–412
summary of U.S transactions of 2011, 402
unilateral transfers, 400
of United States, 401–405
International Wheat Agreement, 346
Internet. See Web sites
Intervention currency, 692
Intra-industry trade, 163–166
economies of scale and, 166
formal model of, 169–172
growth of, 167–168
for G-20 countries, 168
measurement of, 167–168
outsourcing and, 166
Intra-regional-trade-agreement (RTA) exports, 319
Investment function, 544
Investments. See also Direct investments; Foreign 
investments
customs unions and, 308
Inward and outward stock of foreign direct investment 
(FDI), 374–375
iPads, 2–3
iPhones, 2–3
Iran, U.S. dollar deposits in, 452
Iraq
Environmental Performance Index (EPI) 
ranking, 179
U.S. dollar deposits in, 452
Ireland. See also European Union (EU)
Euro (€), conversion rates for, 662
Eurozone crisis and, 664–665
government debts and budget deficits of, 665
international competitiveness ranking of, 175
Maastricht convergence indicators, 660
pound, devaluation of, 658
IS curve, 578–581. See also IS-LM-BP model
aggregate demand (AD) curve, derivation of, 618
mathematical derivation of, 608–609
summary in mathematical terms, 611–613
IS-LM-BP model. See also Policy mix
with fixed exchange rates, 581–589
with flexible exchange rates, 589–593
with imperfect capital mobilities, 581–589
with perfect capital mobility, 591–594
stocks and flows, mixing of, 592
Isocosts, 76–78
Isoquants, 76–78
for two nations, 78–79
Israel
Big Mac prices in, 468
Canada, free trade agreement (FTA) with, 316
EU, free trade agreement (FTA) with, 315
inflation targeting in, 633
international competitiveness ranking of, 175
U.S. free trade agreement with, 313
Italy. See also European Union (EU); G-7 countries; 
G-20 countries
capital deepening and output per worker, 200
capital-labor ratio of, 117, 196
central bank independence and inflation, 632
current account balance in, 524
efficiency change and output per worker, 200
Euro (€), conversion rates for, 662
Eurozone crisis and, 664–665
exchange controls by, 601
Exchange Rate Mechanism (ERM), 
abandonment of, 658
export volume in, 208–209
factor abundance of, 116–117
GDP (gross domestic product) growth in, 208–209
government debts and budget deficits of, 665
income elasticity of imports, 547
inflation rate in, 476
International Monetary Fund (IMF) 
balance-of-payments summary for, 419
inward and outward stock of foreign direct 
investment (FDI), 374–375
Maastricht convergence indicators, 660
monetary growth in, 476
output per worker, growth in, 200
pass-through elasticities for, 525
per capita GDP changes in, 208–209
price elasticities for imports and exports, 521
private sector balances of, 549
real hourly wage in manufacturing in, 130
technical progress and output per worker, 200
terms of trade changes in, 208–209
trade imbalances in, 716
as trade partner of U.S., 409
traditional and purchasing-power parity (PPP) per capita incomes in, 359
U.S. companies, manufacturing for, 2

J
Jamaica Accords, 673, 702
gold holdings and, 703
Jamaica in CARICOM, 316
Japan. See also G-7 countries; G-20 countries; Japanese yen
agricultural subsidies in, 267–268
Asian Financial Crisis of 1997, effect of, 557
automobile products, intra-industry trade in, 163–164
Big Mac prices in, 468
capital deepening and output per worker, 200
capital flow and, 10
capital-labor ratio of, 117, 196
comparative advantage of, 64
computer subsidies, 268
deindustrialization in, 71
direct investments and, 369, 374
dumping by, 264
economic profile of, 310
efficiency change and output per worker, 200
factor abundance of, 116–117
factor intensity of trade, 122–123
fiscal policy of U.S., effect of, 588–589
foreign direct investments (FDI) to U.S. by, 370–371
free trade agreements (FTAs) of, 316
GDP (gross domestic product) growth in, 208–209
GNP (gross national income) in, 205–206
income elasticity of imports, 547
industrial products, tariffs on, 232–233
inflation rate in, 476
international macroeconomic policy coordination and, 674
International Monetary Fund (IMF) balance-of-payments summary for, 419
as major trade partner, 9–10
manufacturing for U.S. companies in, 2
monetary growth in, 476
multinational corporations (MNCs) in, 379, 381
nonagricultural products, tariffs on, 222
output per worker, growth in, 200
pass-through elasticities for, 525
per capita GDP changes in, 208–209
pervasiveness of non tariff trade barriers (NTBs) in, 268–269
price elasticities for imports and exports, 521
private sector balances of, 549
product cycle model and, 173
purchase power parity (PPP) in, 205–206
real hourly wage in manufacturing in, 130
Statistics Center of the Management and Coordination Agency for, 299
strategic trade and industrial policies, 274–275
U.S. response to, 277–278
technical progress and output per worker, 200
terms of trade changes in, 208–209
trade deficit between U.S. and, 410
trade imbalances in, 716–717
as trade partner of U.S., 409
traditional and purchasing-power parity (PPP) per capita incomes in, 359
trigger-price mechanism and, 265
as unfair trader, 281
Uruguay Round, gains from, 285
voluntary export restraints (VERs) on Japanese automobiles to U.S., 261–262
web site for trade data, 572
Japanese yen
carry trade and, 445–446
foreign exchange risks and, 438–439
relative international importance of, 426
U.S. dollar and, 490–492, 603
J-curve effect, 519–524
Job losses
globalization and, 162
in high import-competing industries, 70
Joint ventures with MNCs, 383
Jordan
EU, free trade agreement (FTA) with, 315
U.S., free trade agreements (FTAs), 284, 314

K
Kazakhstan, Environmental Performance Index (EPI) for, 179
Kennedy Round, 280, 286, 695
Kentucky Mazda, 3
Kentucky Toyota, 3
Kenya
in East African Community (EAC), 316
manufactures exports in, 351
Keynesian multiplier in closed economy, 545
Korea. See also G-20 countries
agricultural subsidies in, 267–268
antidumping investigations by, 266
Big Mac prices in, 468
capital deepening and output per worker, 200
capital-labor ratio of, 117, 196
currency depreciation in, 513
current account balance of, 554
economic crisis of 1997, 337
efficiency change and output per worker, 200
EU, free trade agreement (FTA) with, 315
factor abundance of, 116–117
factor intensity of trade, 122–123
foreign debt burden of, 353–354
GDP (gross domestic product), growth of, 554
as high-performance Asian economy (HPAE), 337
inflation in, 513, 633
International Monetary Fund (IMF) balance-of-payments summary for, 420
manufacturing for U.S. companies in, 2
nonagricultural products, tariffs on, 223
output per worker, growth in, 200
Korea (continued)
  steel production in, 264
  technical progress and output per worker, 200
  as trade partner of U.S., 409
  Uruguay Round, gains from, 285
  variety gains with international trade and, 165
  World Bank web site for, 299
Kuwait
  Environmental Performance Index (EPI)
    ranking, 179
  in Gulf Cooperation Council, 315
  transfer problem with, 391
Kyoto Protocol, 178
L
  Labeling requirements, 263
  Labor. See also Capital-labor ratios; highly skilled labor; International labor migration; Organized labor
capital deepening and output per worker, 200
efficiency change and output per worker, 200
  and environmental standards, 287
  Euro (€) and labor mobility, 663
  input-output table and, 131
  international flow of, 10–11
  medium skilled labor and factor endowments of various countries, 116–117
  output per worker, growth in, 200
technical progress, output per worker and, 200
  unskilled labor, factor intensity of, 122
  U.S. trade, requirements in, 132
  Labor growth
    balanced growth, 190–191
    and capital accumulation over time, 190–191
    Rybczynski theorem and, 190, 192–193
  Labor intensive commodities, 111
  Labor-saving technical progress, 194
  graphical analysis of, 216–217
  Labor theory of value, 31
    comparative advantage and, 41–42
  Lag, 444
  Laissez-faire, 35
  Land. See Arable land
  Laos in ASEAN (Association of South East Asian Nations), 317
  Large countries. See also Tariffs
growth and trade in, 201–205
  Latin America. See also NAFTA (North American Free Trade Agreement)
    automobile products, intra-industry trade in, 163–164
    currency depreciation in, 512–513
    current account balance of, 554
    direct investments by U.S. in, 369
    dollarization in, 666–667
    foreign debt burden of, 353–354
    GDP (gross domestic product), growth of, 554
    Heckscher-Ohlin theory and, 135
    inflation in, 512–513
    inward and outward stock of foreign direct investment (FDI), 374–375
  Latvian Free Trade Agreement (BAFTA), 321
    Environmental Performance Index (EPI)
      ranking, 179
  Law of comparative advantage. See Comparative advantage
  Law of one price, 464
  Big Mac Index and, 467–468
  Law of reciprocal demand, 104
  Leads, 444
  Learning against the wind policy, 670–671
  Learning curve, 184
  Lebanon, free trade agreement (FTA) with, 315
  Legal reserve requirement (LRR), 472
  Lender of last resort, 424
  Leontief paradox, 131–136
    elasticity of substitution, calculation of, 151
    explanations of, 133–136
    human capital and, 134
    input-output table and, 134
  Lesotho in South Africa Development Community (SADC), 316
  L.G. Display, 2
  LIBOR (London Interbank Offer Rate), 455
  Libya
    Environmental Performance Index (EPI)
      ranking, 179
    transfer problem with, 391
  Liechtenstein in EFTA (European Free Trade Association), 313
  Life expectancy in developing nations, 351–352
  Limited international policy coordination, 674
  Liquidity
    Bretton Woods system and, 700
    defined, 688
    necessity for international liquidity, 701
  Lithuania
    in Baltic Free Trade Agreement (BAFTA), 321
    currency board arrangements (CBAs) in, 665
    European Union (EU) and, 312, 321
    Exchange Rate Mechanism II (ERM II) and, 662
    LM curve, 578–581. See also IS-LM-BP model
      aggregate demand (AD) curve, derivation of, 618
      mathematical derivation of, 609–611
      summary in mathematical terms, 611–613
    Location of industry. See Industry location
    Lomé Convention, 311
    export stability, scheme for, 346
    Lomé IV Convention, 311
Long position in currency, 443
Long-run aggregate supply (LRAS) curve, 619–621
Long-run development assistance from IMF, 693
Long-run elasticities, 519
Los Angeles Times, 25
Louvre Accord, 674, 707
Luxembourg. See also European Union (EU)
Benelux, 30232
Environmental Performance Index (EPI) ranking, 179
Euro (€), conversion rates for, 662
international competitiveness ranking of, 175
intra-industry trade, growth of, 167
Maastricht convergence indicators, 660–661
European Central Bank (ECB) and, 663–664
Macedonia and European Union (EU), 321
Macroeconomics, 12–13. See also Flexible exchange rates
aggregate demand, effect of macroeconomic policies on, 626–629
different exchange rate regimes, performance under, 697
fixed exchange rates, performance under, 653, 697
growth, policies for, 634–635
international macroeconomic policy coordination, 673–674
petroleum shocks and stagflation, 636–638
supply shocks, adjustment to, 635–639
United States, macroeconomic data for, 599
Madagascar in South Africa Development Community (SADC), 316
Magnification effect, 193
Main Economic Indicators, 25
Malaria and Millennium Development Goals (MDGs), 355
Malawi in South Africa Development Community (SADC), 316
Malaysia
in ASEAN (Association of South East Asian Nations), 317
Big Mac prices in, 468
currency depreciation in, 513
current account balance of, 554
economic crisis of 1997, 337
GDP (gross domestic product), growth of, 554
as high-performance Asian economy (HPAE), 337
inflation in, 513
international competitiveness ranking of, 175
manufactures exports in, 351
Uruguay Round, gains from, 285
Mali in West African Economic and Monetary Union (WAEMU), 316
Malta and European Union (EU), 312
Managed floating exchange rate system, 648, 670–673
IMF members and, 672
Manufacturing
deindustrialization and, 71
developing nations, manufactures in total exports of, 350–351
estimated price elasticities for manufactured goods, 520
in high import-competing industries, 70
Smoot-Hawley Tariff Act, 278
Marginal cost curve (MC), 169–172
Marginal propensity to consume (MPC), 542–545
Marginal propensity to import (MPM), 546–547
trade problem and, 569–570
Marginal propensity to save (MPS), 544
Marginal rate of substitution (MRS), 61
Marginal rate of technical substitution of labor for capital in production (MRTS), 77
Marginal rate of transformation (MRT), 44
increasing costs and, 59
Marginal revenue curve (MR), 169–172
Market efficiency with flexible exchange rates, 647
Marketing boards, 345
Market-oriented industries, transportation costs of, 177–178
Marshall-Lerner condition, 516–517
mathematical derivation of, 534–536
Marshall Plan, 698
Maternal health and Millennium Development Goals (MDGs), 355
Mauritius in South Africa Development Community (SADC), 316
McDonalds and Big Mac Index, 467–468
Medium skilled labor and factor endowments of various countries, 116–117
Mercantilism, 32–34
Munn, Thomas on, 33
in twenty-first century, 33–34
Mercosur (Southern Common Market), 316, 326
economic profile of, 317–318
as free trade area, 302
intra-regional-trade-agreement (RTA) exports and, 319
web sites about, 330
Methodology of text, 16–17
Metzler paradox, 239, 250–251
Mexico. See also G-20 countries; NAFTA (North American Free Trade Agreement)
agricultural subsidies in, 267–268
antidumping investigations by, 266
automobile products, intra-industry trade in, 163–164
Big Mac prices in, 468
capital deepening and output per worker, 200
capital-labor ratio of, 117, 196
currency depreciation in, 513, 709–711
current account balance of, 554
efficiency change and output per worker, 200
EU, free trade agreement (FTA) with, 315
factor abundance of, 116–117
factor intensity of trade, 122–123
free trade access of U.S. to, 314
gains from NAFTA, 315
GDP (gross domestic product), growth of, 554
Mexico (continued)
inflation in, 513, 633
International Monetary Fund (IMF)
balance-of-payments summary for, 420
intra-industry trade, growth of, 167
inward and outward stock of foreign direct
investment (FDI), 374–375
Japan, free trade agreement (FTA) with, 316
in Latin American Free Trade Association
(LAFTA), 316
as major trade partner, 9–10
manufactured exports in, 351
multinational corporations (MNCs) of U.S.,
employment by, 381
nonagricultural products, tariffs on, 223
output per worker, growth in, 200
peso, collapse of, 709
technical progress and output per worker, 200
as trade partner of U.S., 409
trade reforms in, 350
traditional and purchasing-power parity (PPP)
per capita incomes in, 359
Uruguay Round, gains from, 285

Microeconomics, 12–13
Microsoft Corporation, 267
Middle East. See also specific nations
capital flow and, 10
multinational corporations (MNCs) of U.S.,
employment by, 381
population, economic and health indicators in,
351–352
Migration. See International labor migration
Millennium Declaration, 718
Millennium Development Goals (MDGs), 355–356
Millennium Round attempt, 287
Minimum ad valorem rate, 236
Minimum wage, 127–128
Mint parity, 526, 689
MIT web site, 503
Monetarism, 471. See also Monetary approach to the
balance of payments
global monetarists, 474
Monetary adjustments, 559–563
disadvantages of automatic adjustments,
562–563
synthesis of automatic adjustments,
560–562
Monetary approach to the balance of payments,
471–480
determination of exchange rate, approach to,
475–478
empirical tests of, 469–492
expectations and, 478–480
with fixed exchange rates, 471–473
with flexible exchange rates, 473–475
formal mathematical model of,
497–498
interest rates and, 478–480
nominal exchange rates and, 477–478
real exchange rates and, 477–478
relative money supplies and exchange rates,
474
Monetary base, 472
Monetary policies. See also Fiscal policies; Policy mix
and aggregate demand in open economies, 629
with elastic capital flows, 584–586
from external balance and unemployment,
581–582
from external deficit and unemployment,
583–584
Federal Reserve Board determining, 596
flexible exchange rates and, 647–648
inflation targeting and, 633
multinational corporations (MNCs)
circumventing, 382
Mundell-Fleming model and, 578–581
OECD (Organization for Economic
Cooperation and Development) countries,
effect in, 592–593
open-economy trilemma, 654–655
with perfect capital mobility, 586–589
United States, effect in, 592–593, 599
Monetary policy, 574
Monetary systems. See also International monetary system
international macroeconomic policy
coordination, 673–674
Money. See also Currency; Demand for money;
Foreign exchange rates; Monetary approach to the
balance of payments; Money supply
comparative advantage with, 39–40
demand for, 471–473
quantity theory of money, 527–528
supply of, 471–473
Money, Credit and Commerce (Marshall), 517
Money markets
LM curve and, 578–581
Mundell-Fleming model and, 578–581
Money supply. See also Monetary adjustments
gold standard and, 527–528
overshooting exchange rate and, 487–489
Mongolia in Council of Mutual Economic Assistance
(CMEA or COMECON), 318
Monopolies, 161
Monopolistic competition, 169–172
Montenegro and European Union (EU), 321
Monthly Bulletin of Statistics, 25
Montserrat in CARICOM, 316
Morocco
EU, free trade agreement (FTA) with, 315
U.S., free trade agreements (FTAs), 284, 314
Mortgage crisis in U.S., 712
Most-favored nation principle, 278–279
Mozambique in South Africa Development
Community (SADC), 316
Multi-Country Model of Federal Reserve Board, 561,
592–593
Multilateral trade
customs unions and, 309
negotiations, 279
Multinational corporations (MNCs), 378–383. See
also Transfer pricing
direct investments by, 373
domination of economics of host country by, 382
employment of U.S. MNCs abroad, 381
hedging and, 441–442
host country, problems creating in, 379–380
international code of conduct, development of, 383
joint ventures, 383
largest non-petroleum MNCs, 380
R&D, 378
export of technology, problem of, 380–381
siphoning of host country’s R&D to home country, 382
reasons for existence of, 378–379
technology, export of, 380–381
web sites on, 299

Multiple exchange rates, 263, 602
Multipliers. See also Foreign trade multiplier
in closed economy, 545
in small open economy, 551–555
Mundell-Fleming model, 578–581
Myanmar
in ASEAN (Association of South East Asian Nations), 317
rice marketing board of, 345

N
NAFTA (North American Free Trade Agreement), 326
automobile products, intra-industry trade in, 163–164
economic integration and, 313–316
economic profile of, 310
environmental standards and, 178
as free trade area, 301
gains of Mexico from, 315
intra-regional-trade-agreement (RTA) exports and, 319
trade bloc problem, 287
web sites about, 330
Namibia in South Africa Development Community (SADC), 316
National Australia Bank case, 444
National Bureau of Economic Research (NBER), 615, 644
web site, 218, 686
National Capital Foundation web site, 299
National security clause, 280
Natural level of output (\(N_Y\)), 619–621
Natural resources. See Resources
Net barter terms of trade. See Commodity terms of trade
Netherlands. See also European Union (EU)
Benelux, 302
Dutch disease, 514
Euro (€), conversion rates for, 662
government debts and budget deficits of, 665
international competitiveness ranking of, 175
inward and outward stock of foreign direct investment (FDI), 374–375
Maastricht convergence indicators, 660
pass-through elasticities for, 525
as trade partner of U.S., 409
Net IMF position, 694
Neutral consumption, 197
Neutral growth, 196–197
Neutral technical progress, 193, 199–200
graphical analysis of, 216–217
immiserizing growth and, 202–203
production frontiers and, 194–195
New International Economic Order (NIEO), 354–355, 718
Newly Independent States (NIS), 320
Newly industrialized economies (NIEs), 354
wage inequalities and, 127
New partnership agreements (NPAs), 311
New-product phase (time OA), 173–175
New protectionism, 260–261
News events and foreign exchange rate, 491–492
New York Times, 25
New Zealand
Asian Financial Crisis of 1997, effect of, 557
central bank independence and inflation, 632
inflation targeting in, 633
Uruguay Round, gains from, 285
Nicaragua
absolute advantage and, 34–35
in Central American Common Market (CACM), 316
dollarization by, 667
DRCAFTA (Dominican Republic-Central American Free Trade Agreement) with, 284, 314
Niger in West African Economic and Monetary Union (WAEMU), 316
9/11 attacks, 7–8
foreign exchange rate and, 491–492
Nissan Motors, 380
Nominal tariffs, 229
Nondiscrimination. See Discrimination
Nontariff trade barriers (NTBs), 260–261
administrative regulations, 262–263
dumping, 264–265
GATT (General Agreement on Tariffs and Trade) and, 279
international cartels, 263–264
Kennedy Round and, 695
pervasiveness of, 268–269
technical regulations, 262–263
trigger-price mechanism, 264–266
voluntary export restraints (VERs), 261–262
Nontraded goods and services, 176
Normal goods, 199
North Africa, population, economic and health indicators in, 351–352
North Korea in Council of Mutual Economic Assistance (CMEA or COMECON), 318
Subject Index

Norway. See also EFTA (European Free Trade Association)
agricultural subsidies in, 267–268
Big Mac prices in, 468
Environmental Performance Index (EPI) ranking, 179
EU, free trade agreement (FTA) with, 315
inflation targeting in, 633
international competitiveness ranking of, 175

No-trade equilibrium
 economies of scale and, 161
wages, 146–147
Novateck Microelectronics, 2
NTBs (nontariff trade barriers). See Nontariff trade barriers (NTBs)
NYSE (New York Stock Exchange), 436

Objective indicators, development of, 708
OECD (Organization for Economic Cooperation and Development)
agriculture, support for, 267–268
Asian Financial Crisis of 1997, effect of, 337
autonomous increases in governmental expenditures and, 561–562
current account balance and OECD exchange rate, 523
monetary policy, effect of, 592–593
web site, 28, 218, 393, 422, 615, 644, 686, 728
OECD Economic Outlook, 25
Offer curves, 89–91. See also Formal derivation of offer curves
defined of, 89
derivation of, 89–91
Meade, James, theory of, 99–107
origin of, 89
shape of, 89–91
terms of trade and, 94
trade indifference curves and, 100–102
Official reserve account, 406
Official settlements balance, 406
Offshore deposits, 451–452
Offshoring, 161
Oil. See Petroleum
Oligopolies, 161
multinational corporations (MNCs) as, 379
Oman
in Gulf Cooperation Council, 315
U.S., free trade agreement (FTA) with, 314
One price, law of. See Law of one price
OPEC (Organization of Petroleum Exporting Countries), 263–264
late twentieth century, disarray in, 345–346
Open economies, 12–13. See also Macroeconomics;
Small open economy
aggregate demand in, 623–626
economic shocks affecting aggregate demand in, 626–629
flexible prices, effect of fiscal/monetary policies in open economies with, 630–634
macroeconomic policies affecting aggregate demand in, 626–629
monetary policies and aggregate demand in, 629
trilemma of policies with, 654–655
Opportunity costs. See also Increasing costs; Marginal rate of transformation (MRT)
comparative advantage and, 41–45
constant costs, 43–44
defined, 42
in portfolio balance model, 481
production possibility frontier, 42–43
and relative commodity prices, 44–45

Optimum currency areas, 655–657
Optimum tariffs, 239–241, 272
illustration of, 240–241
measurement of, 252–254
Options. See also Foreign exchange options
put options, 436
Organization for Economic Cooperation and Development (OECD). See OECD (Organization for Economic Cooperation and Development)
Organization of Petroleum Exporting Countries (OPEC). See OPEC (Organization of Petroleum Exporting Countries)
Organization of text, 15–16
Organized labor
AFL-CIO, 70
on foreign investments, 377
multinational corporations (MNCs) and, 379–380
wage inequalities and, 127–128
Original sin, 712
Outsourcing, 161
to India, 5
intra-industry trade and, 166
job losses and, 70
Overshooting of exchange rate. See Foreign exchange rates
P
Pacific nations. See also specific nations
direct investments by U.S. in, 369
foreign debt burden of, 353–354
multinational corporations (MNCs) of U.S., employment by, 381
trade agreements, 326–327
Pakistan
Bangladesh and, 656
Big Mac prices in, 468
manufactures exports in, 351
Panama
dollarization and, 666–667
U.S., free trade agreement (FTA) with, 284, 314
Pan-Arab Free Trade Area (PAFTA), 326
Paper gold. See Special Drawing Rights (SDRs)
Paraguay. See Mercosur (Southern Common Market)
Partial equilibrium analysis, 223–229. See also Tariffs
equilibrium-relative price with trade with, 86–88
of export subsidies, 269–270
general equilibrium analysis and, 93–94
of import quotas, 258–259
large countries, tariffs in, 244–246
of trade creation, 302
of transportation costs, 176–177
Pass-throughs, 524–526
for G-7 countries, 525
Pattern of trade, 31
external economies and, 182–185
Pension funds and global investments, 2
Per capita GDP, 208–209
Perfect capital mobility
fiscal/monetary policies with, 586–589
IS-LM-BP model with, 591–594
Perfect competition in Heckscher-Ohlin theory, 111
Pass-throughs, 524–526
for G-7 countries, 525
Pension funds and global investments, 2
Per capita GDP, 208–209
Policy mix, 59–600
internal and external balance and, 594–596
with price changes, 596–597
in real world, 597–600
Pollution, 178
Portfolio balance model, 480–486
adjustments to portfolio, 484–486
empirical tests of, 469–492
extended portfolio balance model, 482–484
formal mathematical model of, 498–500
Portfolio investments, 367
motives for, 371–372
risk element in, 372
Portfolio theory, 372
Portugal. See also EIFTA (European Free Trade
Association); European Union (EU)
devolution of, 658
Escudo, devaluation of, 658
Euro (€), conversion rates for, 662
Eurozone crisis and, 664–665
government debts and budget deficits of, 665
Maastricht convergence indicators, 660
Post-Catastrophe Debt Relief (PCDR), 704
Postwar balance of payments in U.S., 407–412
Pound sterling. See British pound
Poverty
in developing nations, 15, 351–352, 717–718
globalization and, 355–356
international monetary system and, 717–718
United Nations Conference on Trade and
Development (UNCTAD) on, 717–718
Precautionary Credit Line (PCL), 704
Predatory dumping, 264
Preferential trade arrangements, 301
Pressure-group theory of protectionism, 272–273
Pretrade-relative commodity prices, 72–73
Price adjustment mechanism, 508
Price elasticities. See also Current account balance;
Marshall-Lerner condition
estimates of, 517–518
in G-7 countries, 521
J-curve effect and, 519–524
manufactured goods, estimated price
elasticities for, 520
pass-throughs and, 524–526
short-run and long-run price elasticities, 521
Prices. See also Factor-price equalization theorem;
Inflation; Price elasticities
commodities prices, changes in, 342
direct controls and, 575
dependent growth theory and, 336
extended portfolio balance model and price
level (P), 483
fixed exchange rates and price discipline, 652–654
flexible exchange rates, effect of, 512–514
foreign exchange rate and domestic prices, 531–533
long-run aggregate supply (LRAS) curve and, 621–623
restructuring economy of, 320
Restructuring economy of, 320
subject index
Prices (continued)
monopolistic competition and, 169–172
optimum currency areas and, 656–657
petroleum price increases, impact of, 638
policy mix with price changes, 596–597
short-run aggregate supply (SRAS) curve and, 621–623
Price-specie-flow mechanism, 527–528, 689
Primary markets, 455
Principle of effective market classification, 575
policy mix with, 595–596
Principles of Political Economy and Taxation
(Ricardo), 36
Private sector
G-7 countries, balance in, 574–575
international monetary system and, 712
Producers in equilibrium, 77–78
Producer surplus, 225–226
Product categories, factor intensity of, 122
Product cycle model, 172–173
illustration of, 173–175
Product differentiation, 163–164
Product-growth phase (time AB), 173–175
Production. See also Heckscher-Ohlin theory;
Specialization
general equilibrium of, 104–106
monopolistic competition and, 169–172
tariff, production effect of, 224
taste differences, trade based on, 73
two nations, commodities and factors, theory with, 78–79
Production contract curve, 79–82
Production frontiers, 42–43
developing nations and, 335
different production frontiers, reasons for, 59–60
Edgeworth box diagram and, 79–82
equilibrium in isolation and, 62–64
factor abundance and, 115–118
with increasing costs, 58–60
taste differences, trade based on, 73
technical progress and, 194–195
Production functions, 76–78
Cobb-Douglas production function, 78
Production lag, 518
Productivity of labor, 109
Product-maturity phase (time BC), 173–175
Prohibitive tariffs, 236
Protection cost of tariff, 227
Protectionism, 14. See also Nontariff trade barriers
(NTBs); Quotas; Strategic trade and industrial policies; Tariffs
Bastiat, Frédéric and, 41
benefits of, 272–273
capital intensity and, 348
fallacious arguments for, 270–271
infant-industry argument, 271–272
new protectionism, 260–261
pressure-group theory of, 272–273
problem of, 286–287
questionable arguments for, 271
Trade Agreements Act of 1934 and, 278–280
Protrade consumption, 197
Protrade growth, 196–197
Protrade production, 197
Puerto Rico and dollarization, 666
Purchase contracts, 346
Purchasing-power parity (PPP) theory, 463, 464–470
absolute purchasing-power parity (PPP) theory, 464–465, 466
Big Mac Index and, 467–468
empirical tests of, 470
income inequalities and, 359–360
as measure of economic size, 205–206
per capita incomes and, 352
relative purchasing-power parity (PPP) theory, 465–469
Put options, 436
Q
Qatar
in Gulf Cooperation Council, 315
international competitiveness ranking of, 175
Quantity theory of money, 527–528, 689–690
Quebec, secession threat by, 656
Quotas, 33–34, 257, 258–260
developing nations and, 354
as direct controls, 575
International Monetary Fund (IMF) and, 693
partial equilibrium analysis of, 258–259
sugar imports, effects of U.S. quota on, 259
Uruguay Round and, 283, 311
voluntary export quotas, 602
R
Random walk model, 489
Rate of effective protection, 229–231
calculation of, 230–231
derivation of formula for, 247–248
generalization of, 231–234
theory of, 231–234
Raw materials. See Resources
R&D. See also Multinational corporations (MNCs)
endogenous growth theory and, 336
export performance and, 173
factor endowments of various countries, 116–117
factor intensity of, 122
Leontief paradox and, 134
Real domestic absorption, 558
Real exchange rates, 477–478
Real sector shocks and aggregate demand, 629–630
Real wage rate of labor, 129
in leading industrial countries, 130
Recessions
GDP (gross domestic product) and, 7
international economics and, 13–14
in United States, 600, 713
Reciprocal demand, law of, 104
Reciprocal demand curves. See Offer curves
Recognition lag, 518
Reforms. See also Trade reforms
of international monetary system, 707–709
Regional trade agreements in world, 2012, 325–327
Regions of recent settlement, 333–334
portfolio investments in, 368
Regulation Q, Federal Reserve System, 452
Relative commodity prices, 46–47
opportunity costs and, 44–45
Relative factor-price equalization, 125–126, 142–145
Relative factor prices, 114
Relative purchasing-power parity (PPP) theory, 465–469
and inflation, 469
Renminbi, China, 427
web site information, 462
Replacement lag, 518
Republic of Korea. See Korea
Research and development. See R&D
Reserve accounts
official reserve account, 406
official settlements balance, 406
Reserve assets of United States, 404
Residents, defined, 398
Resource-oriented industries, transportation costs of, 177
Resources. See also Arable land
buffer stocks and, 345
direct investments and, 373
Dutch disease, 514
endogenous growth theory and, 336
factor endowments of various countries, 116–117
factor intensity of, 122
in Heckscher-Ohlin theory, 112
international monetary system and scarcity of, 718
multinational corporations (MNCs) and, 378
of regions of recent settlement, 334
transfer problem, 390–391
vent for surplus, trade as, 335
Resource scarcity, 15
Retaliation
optimum tariffs and, 239–241, 272
strategic trade and industrial policies, U.S. response to, 277–278
Revenue effect of tariff, 224
Ricardian trade model, empirical tests of, 47–50
Rice marketing board of Myanmar, 345
Risks. See also Foreign exchange risk
foreign exchange risks, 438–440
hedging, 441–442
portfolio theory and diversification of, 372
uncovered interest parity and risk premium (RP), 483
Romania
in Council of Mutual Economic Assistance (CMEA or COMECON), 318
European Union (EU) and, 312, 321
inflation targeting in, 633
Roosa bonds, 699
Royal Dutch Shell, 444
Rubber and International Natural Rubber Agreement, 345
Rules of the game of the gold standard, 528, 689
Russia. See also G-20 countries
antidumping investigations by, 266
capital-labor ratio of, 117, 196
currency crisis in, 709–711
current account balance of, 554
factor abundance of, 116–117
factor intensity of trade, 122–123
foreign debt burden of, 353–354
GDP (gross domestic product), growth of, 554
GNI (gross national income) in, 205–206
growth in trade in, 205–206
International Monetary Fund (IMF)
balance-of-payments summary for, 420
inward and outward stock of foreign direct investment (FDI), 374–375
nonagricultural products, tariffs on, 223
purchase power parity (PPP) in, 205–206
restructuring economy of, 320
Rybczynski theorem, 190, 192–193
factor growth, effect of, 214–216
formal proof of, 212–217
S
Safeguards in Uruguay Round provisions, 283
Safety regulations, 262–263
Samsung, 2
as multinational corporation (MNC), 380
Saudi Arabia. See also G-20 countries
Big Mac prices in, 468
in Gulf Cooperation Council, 315
transfer problem with, 391
Saving function, 544
Scientific tariffs, 271
Second best, theory of the, 12, 306–307
Securities and Exchange Commission (SEC), 712
Seigniorage benefits, 425, 699
Sematech, 277
web site, 299
Senegal in West African Economic and Monetary Union (WAEMU), 316
September 11, 2001 attacks. See 9/11 attacks
Serbia
European Union (EU), negotiations with, 321
inflation targeting in, 633
Services
major goods exports and imports of U.S., 403
Uruguay Round provisions, 283
Shocks, 636–639
aggregate demand and, 626–629
Euro (€) and, 663
flexible exchange rates and, 654
supply shocks, macroeconomic policies and, 635–639
Short position in currency, 443
Short-run aggregate supply (SRAS) curve, 620–621
equilibrium in, 621–623
Short-run income distribution, 146–148
Short-run outputs in United States, 623
Showaka Shell Sekiyu case, 444
Siemens, 380
Simplo Technology, 2
Singapore
in ASEAN (Association of South East Asian Nations), 317
Big Mac prices in, 468
current account balance of, 554
GDP (gross domestic product), growth of, 554
as high-performance Asian economy (HPAE), 337
international competitiveness ranking of, 175
inward and outward stock of foreign direct investment (FDI), 374–375
as trade partner of U.S., 409
Uruguay Round, gains from, 285
U.S., free trade agreement (FTA) with, 284, 314
Single European Act, 312
Single factorial terms of trade, 338–339
Skilled labor. See also Highly skilled labor
Heckscher-Ohlin theory with, 135
Sliding or gliding parities, 670
Slovak Republic
in Central European Free Trade Association (CEFTA), 321
European Union (EU) and, 312, 321
restructuring economy of, 320
Slovenia
European Union (EU) and, 312, 321
Exchange Rate Mechanism II (ERM II) and, 662
restructuring economy of, 320
Small countries, 47
general equilibrium analysis of tariffs in, 234–237
with increasing costs, 69
tariffs, general equilibrium analysis of, 234–237
Small-country case of growth and trade, 196–201
illustration of, 197–199
technical progress and, 199–201
Small open economy
equilibrium national income of, 548–551
graphical determination of equilibrium national income, 549–551
import function of, 546–547
multiplier for foreign trade, 551–555
Smithsonian Agreement, 700
Smoot-Hawley Tariff Act, 278, 556–557, 691
Social indiffERENCE curves. See Community indiffERENCE curves
South Africa. See also G-20 countries
antidumping investigations by, 266
Big Mac prices in, 468
current account balance of, 554
Environmental Performance Index (EPI) ranking, 179
EU, free trade agreement (FTA) with, 315
GDP (gross domestic product), growth of, 554
GNI (gross national income) in, 205–206
growth in trade in, 205–206
inflation targeting in, 633
inward and outward stock of foreign direct investment (FDI), 374–375
manufactures exports in, 351
purchase power parity (PPP) in, 205–206
in South Africa Development Community (SADC), 316
South Africa Development Community (SADC), 316
South America. See Latin America
South Asia
population, economic and health indicators in, 351–352
South Asian Preferential Trade Agreement (SAPTA), 327
South Asian Preferential Trade Agreement (SAPTA), 327
Southern African Development Agreement (SADC), 326
Southern African Development Agreement (SADC), 327
Southern Common Market (Mercosur). See Mercosur (Southern Common Market)
Southern Europe, inward and outward stock of foreign direct investment (FDI) in, 374–375
South Korea. See Korea
South Pacific Regional Trade and Economic Cooperation (SPARTECA), 327
Sovereign Debt Restructuring Mechanism (SDRM), 712
Soviet Union. See also Former Soviet Republics
Council of Mutual Economic Assistance (CMEA or COMECON), 318–321
formal dissolution of, 320–321
International Monetary Fund (IMF) and, 692
variety gains with international trade and, 165
Spain. See also European Union (EU)
capital deepening and output per worker, 200
capital-labor ratio of, 117, 196
central bank independence and inflation, 632
efficiency change and output per worker, 200
Euro (€), conversion rates for, 662
Eurozone crisis and, 664–665
government debts and budget deficits of, 665
International Monetary Fund (IMF)
balance-of-payments summary for, 420
intra-industry trade, growth of, 167
inward and outward stock of foreign direct investment (FDI), 374–375
labor migration in, 386
Maastricht convergence indicators, 660
output per worker, growth in, 200
pass-through elasticities for, 525
peseta, devaluation of, 658
technical progress and output per worker, 200
traditional and purchasing-power parity (PPP) per capita incomes in, 359
Special Data Dissemination Standards (SDDS), 712
Special Drawing Rights (SDRs), 404, 694, 696
from 1950–1973, 701
substitution account, 707
in 2011, 703
Specialization
dynamic external economies and, 184–185
external economies and, 183–184
gains from trade and, 67–68
in Heckscher-Ohlin theory, 111–112
increasing costs, 67
Specific-factors model, 128–129, 146–148
Specific tariffs, 222
Speculation, 442–444
fixed exchange rates and, 650–652
restrictions on, 708–709
Stability and Growth Pact (SGP), 659
Stable equilibria, 107
Stage IV (CD) and product cycle model, 174–175
Stage V (past point D) and product cycle model, 174–175
Stagflation and petroleum shocks, 636–638
Stagnation in Japan, 369
Standardization process and product cycle model, 172
Standard of living and international trade, 6–9
Steel
trigger-price mechanism for, 264–265
voluntary export restraints (VERs) on, 261
STMicroelectronics, 2
Stocks and bonds. See also International capital flows;
Portfolio investments
buffer stocks, 345
direct investments in, 368
Eurobonds, 455
foreign bonds, 455
foreign-owned assets in U.S., stock of, 403–405
in portfolio balance model, 481–482
Roosa bonds, 699
Stolper-Samuelson theorem, 127, 236–237, 239
graphical representation of, 248–250
Metzler paradox and, 239, 250–251
Strategic trade and industrial policies, 274–278.
See also Japan
with game theory, 275–277
two-firm competition and, 275–277
U.S. response to, 277–278
Strike price, 436
Supply and demand. See also Aggregate demand;
Aggregate supply; Demand for money;
General equilibrium analysis; Money supply
derived demand, 114
petroleum, international price of, 87
in regions of recent settlement, 334–335
Supply curve and flexible exchange rates, 511–512
Supply shocks, macroeconomic policies and, 635–639
Sweden.
See also EFTA (European Free Trade Association); European Union (EU)
Big Mac prices in, 468
Environmental Performance Index (EPI) ranking, 179
Exchange Rate Mechanism II (ERM II) and, 662
inflation targeting in, 633
international competitiveness ranking of, 175
intra-industry trade, growth of, 167
Maastricht convergence indicators, 660
pass-through elasticities for, 525

Subsidies. See also Airbus subsidies; Export subsidies
capital intensity and, 348
infant-industries and, 261–262
problem of, 287
tariffs compared, 294–295
Uruguay Round provisions, 283
Substitution account, 707
Subsidy
International Sugar Agreement, 345
U.S. quota, effect of, 259
Summary statements, 398
Super gold tranche, 694
Super 301 provision of Omnibus Trade and
Competitiveness Act of 1988, 281–282
Supplemental Reserve Facility (SRF), 704
Survey of Current Business web site, 422
Swan diagram, 577–578
Swap arrangements, 696
expansion of, 704
rates and, 435–436
Swaziland in South Africa Development Community
(SADC), 316
Subprime mortgage crisis, 712
Sub-Saharan Africa
foreign debt burden of, 353–354
population, economic and health indicators in, 351–352
poverty in, 355, 717
Sugar
International Sugar Agreement, 345
Super surplus, 235

Surplus
in balance of payments, 406–407
consumer surplus and tariffs, 225–226
vent for surplus, trade as, 335
Survey of Current Business web site, 422
Sustainable development, international monetary
system and, 718
Swan diagram, 577–578
Swaziland in South Africa Development Community
(SADC), 316
Sweden. See also EFTA (European Free Trade
Association); European Union (EU)
Big Mac prices in, 468
Environmental Performance Index (EPI) ranking, 179
Exchange Rate Mechanism II (ERM II) and, 662
inflation targeting in, 633
international competitiveness ranking of, 175
intra-industry trade, growth of, 167
Maastricht convergence indicators, 660
pass-through elasticities for, 525
U.S. response to, 277–278
Strike price, 436
Structural imbalances in advanced economies, 715–717
Structural Impediments Initiative (SII), 278
Subsidies. See also Airbus subsidies; Export subsidies
capital intensity and, 348
infant-industries and, 261–262
problem of, 287
tariffs compared, 294–295
Uruguay Round provisions, 283
Substitution account, 707
Sugar
International Sugar Agreement, 345
U.S. quota, effect of, 259
Summary statements, 398
Super gold tranche, 694
Super 301 provision of Omnibus Trade and
Competitiveness Act of 1988, 281–282
Supplemental Reserve Facility (SRF), 704
Supply and demand. See also Aggregate demand;
Aggregate supply; Demand for money;
General equilibrium analysis; Money supply
derived demand, 114
petroleum, international price of, 87
in regions of recent settlement, 334–335
Supply curve and flexible exchange rates, 511–512
Supply of money, 471–473
Supply shocks, macroeconomic policies and, 635–639
Subsidy
International Sugar Agreement, 345
Super surplus, 235

Surplus
in balance of payments, 406–407
consumer surplus and tariffs, 225–226
vent for surplus, trade as, 335
Survey of Current Business web site, 422
Sustainable development, international monetary
system and, 718
Swan diagram, 577–578
Swaziland in South Africa Development Community
(SADC), 316
Sweden. See also EFTA (European Free Trade
Association); European Union (EU)
Big Mac prices in, 468
Environmental Performance Index (EPI) ranking, 179
Exchange Rate Mechanism II (ERM II) and, 662
inflation targeting in, 633
international competitiveness ranking of, 175
intra-industry trade, growth of, 167
Maastricht convergence indicators, 660
pass-through elasticities for, 525
Swiss franc
relative international importance of, 426
U.S. dollar and, 491
Swiss National Bank, 633
Switzerland. See also EFTA (European Free Trade Association); Swiss franc
agricultural subsidies in, 267–268
Big Mac prices in, 468
central bank independence and inflation, 632
Environmental Performance Index (EPI) ranking, 179
EU, free trade agreement (FTA) with, 315
exchange controls by, 601
international competitiveness ranking of, 175
intra-industry trade, growth of, 167
inward and outward stock of foreign direct investment (FDI), 374–375
Japan, free trade agreement (FTA) with, 316
labor migration in, 386
pass-through elasticities for, 525
Synaectes, 455
Synthesis of automatic adjustments, 560–562
Systematic Transformation Facility (STF), 704
T
Taiwan
Big Mac prices in, 468
current account balance of, 554
GDP (gross domestic product), growth of, 554
as trade partner of U.S., 409
U.S. companies, manufacturing for, 2
variety gains with international trade and, 165
Tanzania
in East African Community (EAC), 316
in South Africa Development Community (SADC), 316
Target zones, 707–708
Tariff factories, 308
Tariffs, 33–34, 221–256. See also Ad valorem tariffs; GATT (General Agreement on Tariffs and Trade); Import tariffs; Optimum tariffs; Rate of effective protection as bargaining tariffs, 272
cascading tariff structure, 232–233
compound tariffs, 222
costs and benefits of, 226–229
customs unions, 302
direct controls, 575
direct foreign investments and, 373
dutiable imports, U.S. average rates on, 282
export tariffs, 221
Great Depression and, 691
in Heckscher-Ohlin theory, 111–112
intra-industry trade and, 164
large countries
general equilibrium analysis of tariffs in, 237–239
partial equilibrium analysis of tariffs in, 244–246
Leontief paradox and, 133
Metzler paradox, 239, 250–251
nominal tariffs, 229
on nonagricultural products in advanced countries, 222
problem of, 287
short-run effect of, 251–252
subsidies compared, 294–295
Trade Expansion Act of 1962 and, 280
Uruguay Round and, 311
welfare effect of removing, 227–228
Tastes. See also Heckscher-Ohlin theory
factor abundance and, 114
Heckscher-Ohlin theory and, 121–122
Leontief paradox and, 133
trade based on differences in, 72–73
two nations, taste changes and trade in, 208
Taxes
border taxes, 263
foreign investments and, 377–378
Foreign Sales Corporations (FSC) provisions of U.S. tax code, 267
multinational corporations (MNCs) and, 379, 382
value-added tax (VAT), 263, 312
Taylor monetary rule, 492
Technical progress. See also Neutral technical progress
capital-saving technical progress, 194
declared, 193
endogenous growth theory and, 336
graphical analysis of, 216–217
labor-saving technical progress, 194
neutral technical progress, 199–200
output per worker and, 200
production frontiers and, 194–195
regions of recent development and, 334
in small-country case of growth and trade, 199–201
trade based on, 172–175
Technical regulations, 262–263
Technological gap model, 172–173
Technology. See also Technical progress
job losses and, 70
multinational corporations (MNCs) and export of, 380–381
wage inequalities and, 127–128
Terms of trade, 201. See also Commodity terms of trade
of advanced countries, 96
definition of, 94
depreciation affecting, 513
of developing countries, 96
economic development and, 338–342
evaluation affecting, 513
flexible exchange rates, effect of, 512–514
of G-7 countries, 95
illustration of, 95
leading industrial countries, changes in, 208–209
measurement of, 94
offer curves and, 94
statistical difficulties in estimating, 342
types of, 338–339
Terrorism. See also 9/11 attacks
GDP (gross domestic product) and, 7
Thailand. See also G-20 countries
in ASEAN (Association of South East Asian Nations), 317
Big Mac prices in, 468
capital deepening and output per worker, 200
capital-labor ratio of, 117, 196
currency depreciation in, 513
current account balance of, 554
economic crisis of 1997, 337
efficiency change and output per worker, 200
foreign debt burden of, 353–354
GDP (gross domestic product), growth of, 554
as high-performance Asian economy (HPAE), 337
inflation in, 513, 633
manufactures exports in, 351
output per worker, growth in, 200
technical progress and output per worker, 200
Theory of tariff structure, 229–234
Theory of the second best, 12, 306–307
Thermal pollution, 178
Three-point arbitrage, 431–432
Tight monetary policy, 574
full-employment level and, 581–582
petroleum prices and, 638
policy mix and, 594
Tin and International Tin Agreement, 345
Togo in West African Economic and Monetary Union (WAEMU), 316
Tokyo Round, 263, 281, 286, 311
Toshiba, 2
Toyota, 380
Trade. See International trade
Trade Adjustment Assistance (TAA), 280
Trade Adjustment Reform Act of 2002, 280
Trade Agreements Act of 1934, 278–279
Trade approach, 507
Trade barriers, 9. See also Nontariff trade barriers (NTBs); Protectionism; Quotas; Tariffs
customs unions, 302
as direct controls, 575
direct foreign investments and, 373
free trade areas, 301–302
Great Depression and, 691
International Monetary Fund (IMF) and, 692–693
international monetary system and, 715
Lomé Convention and, 311
preferential trade arrangements, 301
Trade controls, 600, 601
Trade-creating customs unions, 302–304
conditions leading to increased welfare and, 307
illustration of, 304–306
static welfare effects, 307–308
general equilibrium analysis of, 324–325
Trade Expansion Act of 1962, 280, 695
Trade indifference curves, 100–102
Heckscher-Ohlin theory and, 120–121
optimum tariff and, 252–253
Trade liberalization
complete trade liberalization, benefits of, 273–274
developing nations and, 349–351
welfare effects of, 228–229
Trade or commercial policies, 221
Trade possibilities line/trade line, 66
Trade promotion authority of president, 284–285
Trade protectionism. See Protectionism
Trade Reform Act of 1974, 280–281
Trade reforms
in developing countries, 350
Trade Reform Act of 1974, 280–281
Trade-related investment measures (TRIMs)
problems with, 287
of Uruguay Round, 284
Trading blocs
optimum currency areas or blocs, 656–657
problem of, 287
Transaction costs, 450–451
Transaction demand for money, 580
Transaction exposure, 440
hedging, 441–442
Transfer pricing, 379
problems with, 381–382
Transfer problem, 390–391, 559
Transition economies. See Developing nations
Translation exposure, 440
Trans-Pacific Strategic Economic Partnership (TPP), 327
Transparency and international monetary system, 712
Transportation costs, 175–177
general equilibrium analysis of, 176
in Heckscher-Ohlin theory, 111–112
industry location and, 177–178
partial equilibrium analysis of, 176–177
Transport or logistics costs, 176
Treaty of Rome, 309
Single European Act amending, 312
Triangular arbitrage, 431–432
Trigger-price mechanism, 264–266
Trilemma of policies with open economies, 654–655
Trinidad and Tobago in CARICOM, 316
Tunisia
free trade agreement (FTA) with EU, 315
manufactures exports in, 351
Turkey. See also G-20 countries
agricultural subsidies in, 267–268
antidumping investigations by, 266
Big Mac prices in, 468
capital deepening and output per worker, 200
capital-labor ratio of, 117, 196
currency crisis in, 709–711
current account balance of, 554
EU, free trade agreement (FTA) with, 315
Turkey (continued)
European Union (EU) and, 312, 321
foreign debt burden of, 353–354
GDP (gross domestic product), growth of, 554
inflation targeting in, 633
output per worker, growth in, 200
technical progress and output per worker, 200
trade reforms in, 350
Uruguay Round, gains from, 285
Turkmenistan, Environmental Performance Index (EPI) ranking for, 179
Twin deficits, 585–586
Two-point arbitrage, 431–432
Two-tier gold market. See Special Drawing Rights (SDRs)
U
Uganda in East African Community (EAC), 316
Uncertainty, fixed exchange rates avoiding, 649–650
Uncovered interest arbitrage, 444–446
monetary approach to the balance of payments and, 479–480
Uncovered interest rate parity, 445–446, 479
extended portfolio model and, 482–483
Unemployment
external balance and unemployment, fiscal/monetary policies from, 581–582
external deficit and unemployment, fiscal/monetary policies from, 583–584
inflation and, 639, 648
international economics and, 13–14
international monetary system and, 714
Phillips curve and, 597
protectionism and, 271
United Nations Conference on Trade and Development (UNCTAD) on, 717–718
Unilateral transfers, 400
from United States, 404
Unions. See Organized labor
United Arab Emirates
in Gulf Cooperation Council, 315
international competitiveness ranking of, 175
United Kingdom. See also British pound; EFTA (European Free Trade Association); European Union (EU); G-7 countries; G-20 countries absolute advantage and, 35–36
bank rate, raising, 690
Big Mac prices in, 467
brain drain in, 385–386
British Commonwealth Preference Scheme, 301
capital deepening and output per worker, 200
capital-labor ratio of, 117, 196
central bank independence and inflation, 632
current account balance in, 524
Dutch disease, 514
effective exchange rates in, 524
efficiency change and output per worker, 200
Exchange Rate Mechanism (ERM), abandonment of, 658
Exchange Rate Mechanism II (ERM II) and, 662
export volume in, 208–209
factor abundance of, 116–117
GDP (gross domestic product) growth in, 208–209
gold standard and, 526–527, 690–691
income elasticity of imports, 547
inflation rate in, 476, 633
international competitiveness ranking of, 175
international macroeconomic policy coordination and, 674
International Monetary Fund (IMF) balance-of-payments summary for, 419
intra-industry trade, growth of, 167
inward and outward stock of foreign direct investment (FDI), 374–375
labor migration in, 386
Maastricht convergence indicators, 660
monetary growth in, 476
multinational corporations (MNCs) of U.S., employment by, 381
in nineteenth century, 333–334
output per worker, growth in, 200
pass-through elasticities for, 525
per capita GDP changes in, 208–209
price elasticities for imports and exports, 521
private sector balances of, 549
real hourly wage in manufacturing in, 130
terms of trade in, 208–209, 340–341
trade imbalances in, 716
as trade partner of U.S., 409
tradition and purchasing-power parity (PPP) per capita incomes in, 359
United Nations
Climate Change Conference, Bali, 2007, 178
Climate Change Conference, South Africa 2011, 179
International Trade Statistics Yearbook web site, 155
New International Economic Order (NIEO), 354–355
web site, 28, 84, 218
United Nations Conference on Trade and Development (UNCTAD), 355
on poverty, 717–718
web site, 365
United Nations Development Programs (UNDPs) Human Development Report, 365
United States. See also Balance of payments; G-7 countries; G-20 countries; NAFTA (North American Free Trade Agreement); United States dollar absolute advantage and, 35–36
agricultural subsidies in, 267–268
antidumping investigations by, 266
Asian Financial Crisis of 1997, effect of, 557
autonomous increases in governmental expenditures and, 561–562
balance-of-payments deficits, 698–699
Big Mac prices in, 467
brain drain in, 385–386
budget deficits and current account, relationship between, 585–586
capital deepening and output per worker, 200
capital-labor ratio of, 117, 196
capital outflows for, 404
central bank independence and inflation, 632
commercial policy, history of, 278–282
comparative advantage of, 64
competitiveness of, 175
currency crisis in, 712
current account balance
budget deficits and, 585–586
depreciation and, 523
effective exchange rate and, 521–522
growth of, 553
debt balance of, 405–406
as debtor nation, 414
deindustrialization in, 71
economic effect of import tariffs in, 228
efficiency change and output per worker, 200
Euro (€), demand for, 429
European Union (EU), exports to, 34
exchange controls by, 601
export to import prices, index of, 88
export volume in, 208–209
factor abundance of, 116–117
factor intensity of trade, 122–123
financial account of, 406
fiscal policy, effect of, 588–589, 599
foreign-owned assets, stock of, 403–405
free trade agreement with Israel, 313
GDP (gross domestic product), growth of, 208–209, 553
globalization and job loss rates, 162
GNI (gross national income) in, 205–206
immigration debate and policy in, 386–387
inflation rate, 476
and unemployment rates in, 639
international banking facilities (IBFs) in, 454
international competitiveness ranking of, 175
international investment position of, 412–414
international macroeconomic policy coordination and, 674
International Monetary Fund (IMF) balance-of-payments summary for, 419
international transactions of, 401–405
intra-industry trade and, 163–164, 167
Israel, free trade agreements (FTAs) of, 314
labor migration in, 386–387
macroeconomic data in last decade, 599
major goods exports and imports of, 403
monetary growth in, 476
monetary policy, effect of, 592–593, 599
net debit balance of, 406
nonagricultural products, tariffs on, 222
output per worker, growth in, 200
pass-through elasticities for, 525
per capita GDP changes in, 208–209
pervasiveness of nontariff trade barriers (NTBs) in, 268–269
petroleum shocks and stagflation in, 637
postwar balance of payments in, 407–412
price elasticities for imports and exports, 521
private sector balances of, 549
purchase power parity (PPP) in, 205–206
real hourly wage in manufacturing in, 130
recessions in, 600, 713
reserve assets of, 404
seigniorage privilege, 699
short-run outputs in, 623
sources of international data and information published by, 24
strategic trade and industrial policies by other countries, response to, 277–278
subprime mortgage crisis, 712
sugar imports, effects of U.S. quota on, 259
surplus in balance of payments, 406–407
tariffs, economic effects of, 228
technical progress and output per worker, 200
terms of trade changes in, 208–209
trade deficit with Japan, 410
trade imbalances in, 716
trade partners of, 409
traditional and purchasing-power parity (PPP) per capita incomes in, 359
Treasury and gold standard, 527
unilateral transfers from, 404
Uruguay Round, gains from, 285
variety gains with international trade and, 165
wage inequalities, international trade and, 127–128
web site, 686
United States Census Bureau on immigration, 387
web site, 28, 187
United States Citizenship and Immigration Service web site, 393
United States Department of Commerce International Trade Administration web site, 155, 187
United States dollar. See also Foreign exchange markets; Foreign exchange rates; Gold standard actual and PPP exchange rate of, 466
balance of payments and, 432–434
carry trade and, 445–446
dollar glut, 701
dollar overhang, 707
dollar shortage, 698
dollar standard, 700
as dominant international currency, 425–426
effective exchange rate of, 439–440, 521–522
forecasting exchange rate for, 439–442
foreign exchange risks and, 438–439
German mark and, 477–478
interest rate differentials and exchange rate index for, 480
Japanese yen and, 490–492, 603
United States dollar (continued)
  pass-through of depreciation, 525
  as vehicle currency, 425
United States Immigration and Naturalization Service, 387
United States International Trade Commission web site, 299
United States State Department web site, 29
United States Tariff Commission, 279–280
United States Trade Representative web site, 299
United States Virgin Islands and dollarization, 666
University of Pennsylvania web site, 155, 218
Unskilled labor, factor intensity of, 122
Unstable equilibria, 107
Unstable foreign exchange markets, 514–516
Unsustainable development, 15
Uruguay. See Mercosur (Southern Common Market)
Uruguay Round, 232, 257, 281, 282–286
  developing nations, problems faced by, 718
  export pessimism, prevention of, 354
  gains from, 285
  multinational corporations (MNCs) and, 383
  trade liberalization and, 349–350
Uzbekistan, Environmental Performance Index (EPI) ranking for, 179

V
Value-added tax (VAT), 263, 312
Variable import levies, 311
Variety gains and international trade, 165
Vehicle currency, 425
  World Bank on, 427
Venezuela. See Mercosur (Southern Common Market)
  in Andean Community, 316
  Vent for surplus, trade as, 335
Vertical integration, 373
  multinational corporations (MNCs) and, 378
Vietnam
  in ASEAN (Association of South East Asian Nations), 317
  in Council of Mutual Economic Assistance (CMEA or COMECON), 318
Volkswagen, 380
Voluntary export quotas, 602
Voluntary export restraints (VERs), 261–262
  on Japanese automobiles, 262

W
Wages. See also Factor-price equalization theorem;
  Real wage rate of labor
  comparative advantage and, 39–40
  convergence of real wages in industrial countries, 130
  direct controls as wage controls, 575
  hourly compensation of U.S. workers in manufacturing web site, 155
  inequalities, international trade and, 127–128
  international labor migration and, 384
  minimum wage, 127–128
  multinational corporations (MNCs) and
    low-wage nations, 379
  no-trade equilibrium wage, 146–147
  protectionism, fallacious arguments for, 270–271
  specific-factors model and, 128–129
Wall Street Journal, 25
War. See also World War I; World War II
  damages reparations and transfer problem, 391
  Sub-Saharan Africa and, 355
Wastes, 178
Water pollution, 178
Wealth, 201
  extended portfolio balance model and, 483
  immiserizing growth and, 202–203
The Wealth of Nations (Smith), 32
Web sites
  antiglobalization discussion, 299
  on ASEAN (Association of South East Asian Nations), 330
  Asian Development Bank, 572
  on Asia-Pacific Economic Cooperation (APEC), 330
  Bank for International Settlements (BIS), 503, 615, 644, 686, 728
  Bank of Canada, 686
  Bank of Japan, 686
  Board of Governors of the Federal Reserve, 28
  Bureau of Economic Analysis, 28, 539, 572, 615, 644
  Bureau of Economics Analysis, 422
  Canadian Department of Foreign Affairs, 299
  carry trade information, 462
  citizen.org/trade, 84
  Council of Foreign Relations, 539, 686
  for dumping discussions, 299
  The Economic Report of the President, 28, 299, 686
  Energy Information Administration, 108
  European Central Bank (ECB), 686
  European Commission (EC), 686
  European Monetary Union (EMU), 572
  European Union (EU), 299, 330, 686
  EuroStat (the Statistical Office of European Communities), 155
  Export-Import Bank, 299
  for fast track discussions, 299
  Federal Reserve Bank of New York, 686
  Federal Reserve Bank of St. Louis, 462, 503, 539, 572, 615, 644, 686
  Federal Reserve Board, 644
  foreign exchange market information, 462
  foreign exchange rate information, 462
  on Former Soviet Republic, 330
  on Free Trade Area of the Americas (FTAA), 330
  for gravity model, 28
  hourly compensation of U.S. workers in manufacturing, 155
  Institute for International Economics (IIE), 28, 539, 686
  Inter-American Development Bank, 572
Subject Index

for international environmental law, 299
International Investment Statistics Yearbook, 393
International Monetary Fund (IMF), 28, 84, 108, 155, 218, 365, 686, 728
International Trade Administration, 84, 155, 187
International Trade Statistics Yearbook, 155
Japan, trade data for, 572
on Mercosur (Southern Common Market), 330
MIT, 503
on NAFTA (North American Free Trade Agreement), 330
National Bureau of Economic Research (NBER), 218, 615, 644, 686
National Science Foundation, 299
OECD (Organization for Economic Cooperation and Development), 28, 218, 393, 422, 615, 644, 686, 728
Peterson Institute for International Economics, 572
on R&D science, 299
Sematech, 299
Statistics Center of the Management and Coordination Agency for Japan, 299
Survey of Current Business, 422
United Nations, 28, 84, 218
United Nations Conference on Trade and Development (UNCTAD), 365
United Nations Development Programs (UNDPs), 365
United States, 686
University of Pennsylvania, 155, 218
U.S. Census Bureau, 28, 187
U.S. Citizenship and Immigration Service (INS), 393
U.S. International Trade Commission, 299
U.S. State Department, 299
U.S. Trade Representative, 299
World Bank, 28, 84, 365, 728
World Economic Outlook, 422
World Investment Report, 393, 422
World Trade Organization (WTO), 28, 56, 84, 218, 299, 728
Welfare effects
European Union (EU), liberalizing tariffs in, 228–229
of international capital flows, 374–378
of international labor migration, 384–386
United States, liberalizing tariffs in, 227–228
West African Economic and Monetary Union (WAEMU), 316, 326
Wheat and International Wheat Agreement, 346
Wholesale market, 424
Wintek, 2
World Bank, 693
foreign debt crisis and, 353
Korea, web site for, 299
Millennium Development Goals (MDGs), 355–356
on poverty, 355
resident status of, 398
trade liberalization and, 349–350
of vehicle currencies, 427
web site, 28, 56, 84, 218, 299, 728
World Development Report 2012, 365
World Development Reports, 25
World Economic Outlook, 25, 365
web site, 422
World Investment Report web site, 393, 422
World trade. See International trade
World Trade Organization (WTO) and Doha Round, 288
on Foreign Sales Corporations (FSC) provisions of U.S. tax code, 267
GATT (General Agreement on Tariffs and Trade), replacement of, 284
Millennium Round attempt, 287
steel, antidumping duties on, 265
trade rounds sponsored by, 286
Uruguay Round and, 284
web site, 28, 56, 84, 218, 299, 728
World War I
commodity terms of trade and, 341
gold standard and, 690–691
macroeconomic performance after, 697
reparations and transfer problem, 391
World War II
balance of payments in U.S. after, 407–412
commodity terms of trade and, 341
gold standard and, 690–691
Leontief paradox and, 133
macroeconomic performance AND, 697
WTO (World Trade Organization). See World Trade Organization (WTO)
Y
Yemen, Environmental Performance Index (EPI) ranking for, 179
Yen, See Japanese yen
Yuan currency, China, 427
Yugoslavia, 320
YY curve, 576–578
Z
Zambia in South Africa Development Community (SADC), 316
Zimbabwe in South Africa Development Community (SADC), 316
Zollverein, 302