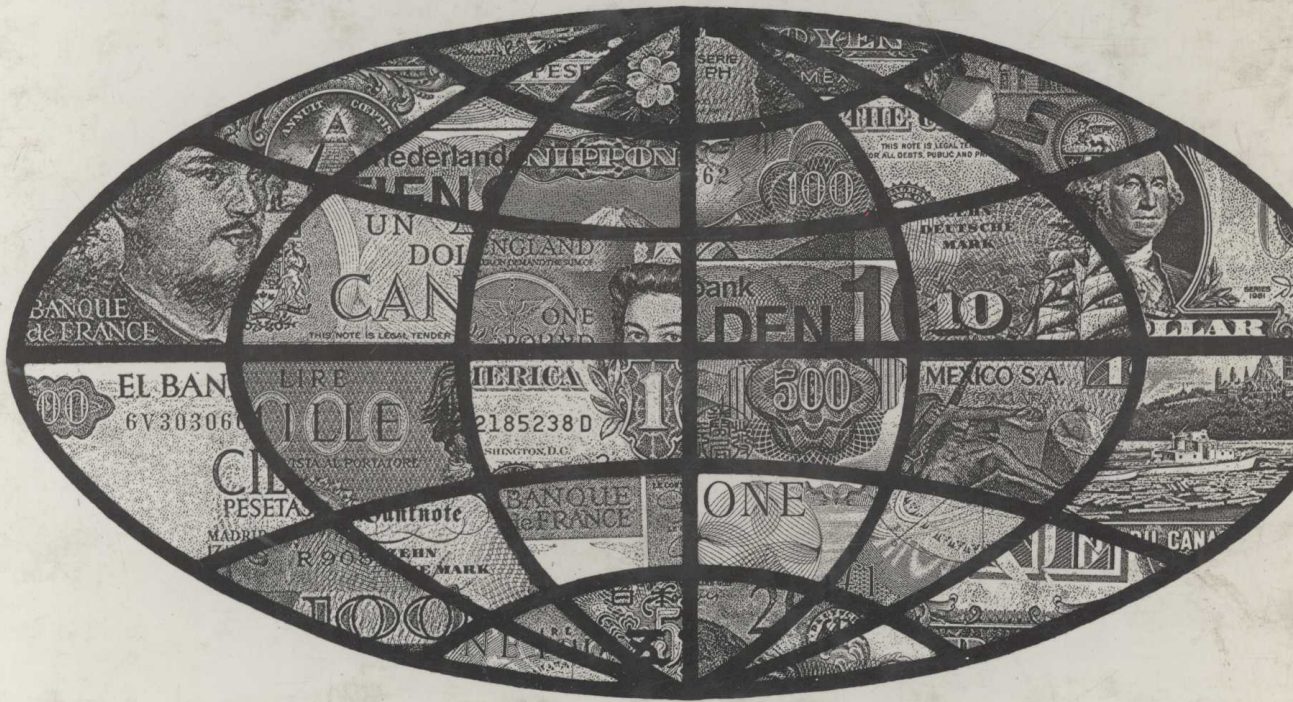


DOMINICK SALVATOR

# INTERNATIONAL ECONOMICS



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# PREFACE

The international economy has undergone dramatic changes during the past decade, deeply affecting the lifestyles of people in the United States and around the world. Flexible exchange rates replaced fixed exchange rates; petroleum prices rose sharply, contributing to world-wide inflation and recession; free trade has come increasingly under attack by powerful protectionist forces as nations attempt to protect domestic jobs against imports; and developing nations are calling for a new international economic order. In this rapidly changing world, the United States has often been caught up in events that significantly affected its well-being but which were to a large extent beyond its control.

The main objective of this text is to present a comprehensive, up-to-date and clear exposition of the theory and principles of international economics that are essential for understanding and evaluating the international economic problems and issues of the 1980s.

International economics textbooks can generally be grouped into two broad categories. One category is supposedly directed at both undergraduates and graduate students, but utilize many tools of analysis that few undergraduates are familiar with. The second category of textbooks came into existence as a reaction to the often excessive difficulty of the first group. However, in their attempt to simplify the material, these texts have thrown out many essential concepts and theories.

This text attempts to overcome both shortcomings. It presents all of the principles and theories essential for a thorough understanding of international economics. It does so on an intuitive level in the text itself, while presenting more rigorous analysis in the appendices at the end of most chapters. Thus, the book is designed for flexibility.

## Audience and Level

In the typical one-semester undergraduate course in international economics, instructors would probably want to cover the ten core chapters (2-3, 5, 8, 13-17, 20) and exclude the appendices. The many examples and real world cases discussed also makes the text very suitable for international economics courses in business programs. In first-year graduate courses in international economics and business, instructors may want to cover the appendices also and assign readings from the selected bibliography at the end of each chapter.

## Organization of the Book

The book is organized into four parts. Part I (Chapters 2–7) deals with the pure theory of international trade. Part II (Chapters 8–12) deals with commercial policies. Part III (Chapters 13 and 14) deals with foreign exchange markets and the measurement of a nation's balance of payments. Part IV (Chapters 15–20) deals with the various mechanisms to adjust balance of payments disequilibria. As pointed out earlier, there are ten core chapters: 2-3, 5, 8, 13-17, 20.

## Teaching Aids

A unique feature of this book is that the same example is followed through in all chapters dealing with the same basic concept. For example, the same graphical and numerical example is followed through in Chapters 2 to 10 dealing with the pure theory of trade and commercial policies. This greatly reduces the real burden on the student, who does not have to start afresh with a new example each time. Furthermore, actual numbers are used in the examples and the graphs are presented on scales. Theories and concepts are always related to the real world with important and up-to-date examples. All of these features should make the various concepts and theories more concrete, accessible, and pertinent to the student.

Each chapter contains a number of teaching aids to make the text easier to use in the classroom. The sections of each chapter are numbered for easy reference. Longer sections are broken into two or more numbered subsections. All of the graphs and diagrams are carefully explained in the text and then recapped briefly in the captions.

Each chapter ends with the following teaching aids:

**Summary**—A paragraph reviews each section of the text.

**A Look Ahead**—Describes what follows in the subsequent chapter.

**Chapter Glossary**—Gives the definition of important terms introduced in bold-face in the chapter. A separate index of glossary terms in alphabetical order is provided at the end of the book for easy cross-reference.

**Questions for Review**—At least one question for each section in the chapter.

**Problems**—These ask the student to calculate a specific measure or explain a particular theory of issue graphically.

**Appendices** (except for Chapters 1, 11, and 19)—As discussed earlier, these develop in a more rigorous fashion material that is presented on an intuitive level in the chapter.

**Selected Bibliography**—The most important references are included, along with specific notes indicating the topic they deal with. A separate author's index is included at the end of the book.

An *Instructor's Manual* is available which includes chapter objectives and lecture suggestions; answers to the end-of-chapter problems; and a set of 12 multiple-choice questions, with answers, for each chapter.

## Acknowledgments

This text grew out of the undergraduate and graduate courses that I have been teaching at Fordham University over the past 10 years. I was very fortunate to have had many excellent students who with their questions and comments contributed much to the clarity of exposition of this text.

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# **SUMMARY TABLE OF CONTENTS**

**CHAPTER 1: INTRODUCTION 1**

## **PART I: THE PURE THEORY OF INTERNATIONAL TRADE 13**

**CHAPTER 2: THE LAW OF COMPARATIVE  
ADVANTAGE 15**

**CHAPTER 3: THE MODERN THEORY OF  
INTERNATIONAL TRADE 41**

**CHAPTER 4: OFFER CURVES AND THE TERMS OF  
TRADE 69**

**CHAPTER 5: THE HECKSCHER-OHLIN MODEL 93**

**CHAPTER 6: EMPIRICAL TESTS AND EXTENSIONS OF  
THE HECKSCHER-OHLIN MODEL 121**

**CHAPTER 7: ECONOMIC GROWTH AND  
INTERNATIONAL TRADE 149**

## **PART II: COMMERCIAL POLICIES 177**

**CHAPTER 8: TRADE RESTRICTIONS: TARIFFS 179**

**CHAPTER 9: OTHER TRADE RESTRICTIONS AND  
UNITED STATES COMMERCIAL POLICY 207**

**CHAPTER 10: ECONOMIC INTEGRATION: CUSTOMS  
UNIONS 233**

**CHAPTER 11: INTERNATIONAL TRADE AND ECONOMIC  
DEVELOPMENT 251**

**CHAPTER 12: INTERNATIONAL RESOURCE MOVEMENTS  
AND MULTINATIONAL CORPORATIONS 279**

**PART III: FOREIGN EXCHANGE MARKETS AND THE  
BALANCE OF PAYMENTS 301**

**CHAPTER 13: THE FOREIGN EXCHANGE MARKETS 303**

**CHAPTER 14: THE BALANCE OF PAYMENTS 337**

**PART IV: ADJUSTMENT IN THE BALANCE OF  
PAYMENTS AND DOMESTIC STABILITY 365**

**CHAPTER 15: PRICE ADJUSTMENT MECHANISM 367**

**CHAPTER 16: THE INCOME ADJUSTMENT MECHANISM  
AND SYNTHESIS OF AUTOMATIC ADJUSTMENTS 401**

**CHAPTER 17: ADJUSTMENT POLICIES 429**

**CHAPTER 18: THE MONETARY APPROACH TO THE  
BALANCE OF PAYMENTS 463**

**CHAPTER 19: FLEXIBLE VERSUS FIXED EXCHANGE  
RATES 483**

**CHAPTER 20: THE INTERNATIONAL MONETARY  
SYSTEM: PAST AND PRESENT 505**

**GLOSSARY INDEX 539**

**NAME INDEX 543**

**SUBJECT INDEX 547**



# CONTENTS

## CHAPTER 1 INTRODUCTION 1

<b>1.1</b>	The Importance of International Economics	1
<b>1.2</b>	International Trade and the Nation's Standard of Living	2
<b>1.3</b>	The Subject Matter of International Economics	3
<b>1.4</b>	The Purpose of International Economic Theories and Policies	4
<b>1.5</b>	Organization of the Book	5
<b>1.6</b>	Methodology of the Book	5

*Summary 6 / A Look Ahead 7 / Glossary 7 / Questions for Review 8 / Problems 9 / Selected Bibliography 10*

## PART I: THE PURE THEORY OF INTERNATIONAL TRADE 13

### CHAPTER 2 THE LAW OF COMPARATIVE ADVANTAGE 15

<b>2.1</b>	Introduction	15
<b>2.2</b>	The Mercantilists' Views on Trade	16
<b>2.3</b>	Trade Based on Absolute Advantage: Adam Smith	17
	2.3a Absolute Advantage	17
	2.3b Illustration of Absolute Advantage	18
<b>2.4</b>	Trade Based on Comparative Advantage	19
	2.4a The Law of Comparative Advantage	19
	2.4b The Gains from Trade	20
	2.4c Exception to the Law of Comparative Advantage	22
	2.4d Comparative Advantage with Money	22
<b>2.5</b>	Comparative Advantage and Opportunity Costs	24
	2.5a Comparative Advantage and the Labor Theory of Value	24
	2.5b The Opportunity Cost Theory	25

A3.3	<i>Derivation of the Edgeworth Box Diagram and Production Frontiers</i>	62
A3.4	<i>Some Important Conclusions</i>	66
	<i>Selected Bibliography</i>	66

## CHAPTER 4 OFFER CURVES AND THE TERMS OF TRADE 69

4.1	Introduction	69
4.2	The Offer Curve of a Nation	69
4.2a	Origin and Definition of Offer Curves	69
4.2b	Derivation of the Offer Curve of Nation 1	70
4.2c	The Shape of the Offer Curve of Nation 1	71
4.3	The Offer Curve of the Other Nation	71
4.3a	Derivation of the Offer Curve of Nation 2	71
4.3b	Shape of the Offer Curve of Nation 2	72
4.4	The Equilibrium Relative Commodity Price with Trade	73
4.4a	Illustration of Equilibrium	73
4.4b	The Small Country Case	74
4.5	The Terms of Trade	75
4.5a	Definition and Measurement of the Terms of Trade	75
4.5b	Illustration of the Terms of Trade	76
4.6	Extension and Evaluation of our Trade Model	76
4.6a	Usefulness of the Model	76
4.6b	Extension of the Model	78
4.6c	Some Apparent Shortcomings of the Model	79
	<i>Summary</i>	83
	<i>A Look Ahead</i>	81
	<i>Glossary</i>	82
	<i>Questions for Review</i>	82
	<i>Problems</i>	83
	<i>Appendix: A4.1 Derivation of a Trade Indifference Curve for Nation 1</i>	84
	<i>A4.2 Derivation of Nation 1's Trade Indifference Map</i>	85
	<i>A4.3 Formal Derivation of Nation 1's Offer Curve</i>	86
	<i>A4.4 Outline of the Formal Derivation of Nation 2's Offer Curve</i>	88
	<i>A4.5 General Equilibrium of Production, Consumption and Trade</i>	90
	<i>A4.6 Multiple and Unstable Equilibria</i>	91
	<i>Selected Bibliography</i>	92

## CHAPTER 5 THE HECKSCHER-OHLIN THEORY 93

5.1	Introduction	93
5.2	Assumptions of the Theory	94
5.2a	The Assumptions	94
5.2b	Meaning of the Assumption	94

<b>5.3</b>	<b>Factor Intensity, Factor Abundance and the Shape of the Production Frontier</b>	<b>96</b>
<b>5.3a</b>	Factor Intensity	96
<b>5.3b</b>	Factor Abundance	98
<b>5.3c</b>	Factor abundance and the Shape of the Production Frontier	99
<b>5.4</b>	<b>Factor Endowments and the Heckscher-Ohlin Theory</b>	<b>100</b>
<b>5.4a</b>	The Heckscher-Ohlin Theorem	101
<b>5.4b</b>	General Equilibrium Framework of the Heckscher-Ohlin Theory	101
<b>5.4c</b>	Illustration of the Heckscher-Ohlin Theory	103
<b>5.5</b>	<b>Factor-Price Equalization and Income Distribution</b>	<b>105</b>
<b>5.5a</b>	The Factor-Price Equalization Theorem	105
<b>5.5b</b>	Effect of Trade on the Distribution of Income	106
<b>5.5c</b>	Empirical Relevance	107
<b>5.6</b>	<b>The Heckscher-Ohlin Model—A General Equilibrium Model</b>	<b>109</b>
<i>Summary 110 / A Look Ahead 111 / Glossary 111 / Questions for Review 112 / Problems 113</i>		
<i>Appendix: A5.1 The Edgeworth Box Diagram of Nation 1 and Nation 2 115</i>		
	<i>A5.2 Relative Factor-Price Equalization 116</i>	
	<i>A5.3 Absolute Factor-Price Equalization 118</i>	
	<i>A5.4 Comparative Static Analysis for a Change in Tastes 119</i>	
<i>Selected Bibliography 120</i>		

## CHAPTER 6 EMPIRICAL TESTS AND EXTENSIONS OF THE HECKSCHER-OHLIN MODEL 121

<b>6.1</b>	<b>Introduction</b>	<b>121</b>
<b>6.2</b>	<b>Empirical Tests of the Ricardian Model</b>	<b>122</b>
<b>6.3</b>	<b>Empirical Tests of the Heckscher-Ohlin Model</b>	<b>124</b>
<b>6.3a</b>	Empirical Results—The Leontief Paradox	124
<b>6.3b</b>	Explanations of the Leontief Paradox	125
<b>6.3c</b>	Other Empirical Tests of the Heckscher-Ohlin Model	126
<b>6.3d</b>	Factor-Intensity Reversal	127
<b>6.4</b>	<b>Extensions of the Heckscher-Ohlin Model</b>	<b>129</b>
<b>6.4a</b>	Trade Based on Differentiated Products	129
<b>6.4b</b>	Trade Based on Economies of Scale	130
<b>6.4c</b>	Trade Based on Technological Gaps and Product Cycles	132
<b>6.5</b>	<b>Transportation Costs and Nontraded Commodities</b>	<b>134</b>
<b>6.6</b>	<b>Some General Conclusions on the Heckscher-Ohlin Model</b>	<b>135</b>
<i>Summary 137 / A Look Ahead 138 / Glossary 139 / Questions for Review 140 / Problems 140</i>		
<i>Appendix: A6.1 Illustration of Factor-Intensity Reversal 141</i>		

A6.2	<i>The Elasticity of Substitution and Factor-Intensity Reversal</i>	143
A6.3	<i>Empirical Tests of Factor-Intensity Reversal</i>	144
	<i>Selected Bibliography</i>	145

## CHAPTER 7 ECONOMIC GROWTH AND INTERNATIONAL TRADE 149

7.1	Introduction	149
7.2	Growth of Factors of Production	150
7.2a	Labor Growth and Capital Accumulation Over Time	150
7.2b	The Rybczynski Theorem	152
7.3	Technical Progress	153
7.3a	Neutral, Labor-Saving and Capital-Saving Technical Progress	153
7.3b	Technical Progress and the Nation's Production Frontier	154
7.4	Growth and Trade: The Small Country Case	155
7.4a	The Effect of Growth on Trade	156
7.4b	Illustration of Factor Growth, Trade and Welfare	156
7.4c	Technical Progress, Trade and Welfare	158
7.5	Growth and Trade: The Large Country Case	159
7.5a	Growth and the Nation's Terms of Trade and Welfare	160
7.5b	Immiserizing Growth	160
7.5c	Illustration of Beneficial Growth and Trade	162
7.6	Growth, Change in Tastes and Trade in Both Nations	164
7.6a	Growth and Trade in Both Nations	164
7.6b	Change in Tastes and Trade in Both Nations	166

*Summary* 166 / *A Look Ahead* 168 / *Glossary* 168 / *Questions for Review* 168 / *Problems* 170

*Appendix: A7.1 Formal Proof of the Rybczynski Theorem* 171

*A7.2 Graphical Analysis of Hicksian Technical Progress* 173

*Selected Bibliography* 175

## PART II: COMMERCIAL POLICIES 177

### CHAPTER 8 TRADE RESTRICTIONS: TARIFFS 179

8.1	Introduction	179
8.2	General Equilibrium Analysis of a Tariff in a Small Country	180
8.2a	General Equilibrium Effects of a Tariff in a Small Country	180

8.2b	Illustration of the Effects of a Tariff in a Small Country	181
8.2c	The Stolper-Samuelson Theorem	183
8.3	General Equilibrium Analysis of a Tariff in a Large Country	184
8.3a	General Equilibrium Effects of a Tariff in a Large Country	184
8.3b	Illustration of the Effects of a Tariff in a Large Country	184
8.4	The Optimum Tariff	186
8.4a	The Meaning of the Concept of Optimum Tariff and Retaliation	186
8.4b	Illustration of the Optimum Tariff and Retaliation	187
8.5	Partial Equilibrium Analysis of a Tariff	188
8.5a	Partial Equilibrium Effects of a Tariff	188
8.5b	Illustration of the Partial Equilibrium Effects of a Tariff	189
8.6	The Theory of Tariff Structure	190
8.6a	The Rate of Effective Protection	191
8.6b	Generalizations and Evaluation of the Theory of Effective Protection	192

*Summary* 194 / *A Look Ahead* 195 / *Glossary* 196 / *Questions for Review* 197 / *Problems* 197

*Appendix: A8.1 The Stolper-Samuelson Theorem Graphically* 199

*A8.2 Exception to the Stolper-Samuelson Theorem—The Metzler Case* 201

*A8.3 Measurement of the Optimum Tariff* 202

*A8.4 Derivation of the Formula for the Rate of Effective Protection* 204

*Selected Bibliography* 206

## CHAPTER 9 OTHER TRADE RESTRICTIONS AND UNITED STATES COMMERCIAL POLICY 207

9.1	Introduction	207
9.2	Quotas	208
9.2a	The Effects of an Import Quota	208
9.2b	Comparison of an Import Quota to an Import Tariff	209
9.3	Other Nontariff Barriers	210
9.3a	Voluntary Export Restraints	210
9.3b	Technical, Administrative and Other Regulations	211
9.3c	International Cartels	211
9.3d	Dumping	212
9.4	Arguments for Protection	213
9.4a	Fallacious and Questionable Arguments for Protection	213
9.4b	The Infant-Industry Argument for Protection	214
9.4c	Other Qualified Arguments for Protection	214
9.5	History of United States Commercial Policy	215
9.5a	The Trade Agreements Act of 1934	215
9.5b	The General Agreement on Tariffs and Trade	216

<b>9.5c</b> The 1962 Trade Expansion Act and the Kennedy Round	217
<b>9.5d</b> The Trade Reform Act of 1974 and the Tokyo Round	218
<b>9.6</b> Remaining Problems in Trade Liberalization	218
<i>Summary</i>	220
<i>A Look Ahead</i>	222
<i>Glossary</i>	222
<i>Questions for Review</i>	224
<i>Problems</i>	224
<i>Appendix: A9.1 Centralized Cartels</i>	226
<i>A9.2 International Price Discrimination</i>	226
<i>A9.3 Taxes and Subsidies to Correct Domestic Distortions</i>	227
<i>A9.4 State Trading</i>	228
<i>Selected Bibliography</i>	231

## CHAPTER 10 ECONOMIC INTEGRATION: CUSTOMS UNIONS 233

<b>10.1</b> Introduction	233
<b>10.2</b> Trade-Creating Customs Unions	234
<b>10.2a</b> Trade Creation	234
<b>10.2b</b> Illustration of a Trade-Creating Customs Union	234
<b>10.3</b> Trade-Diverting Customs Unions	236
<b>10.3a</b> Trade Diversion	236
<b>10.3b</b> Illustration of a Trade-Diverting Customs Union	236
<b>10.4</b> The Theory of the Second Best and Other Static Welfare Effects	238
<b>10.4a</b> The Theory of the Second Best	238
<b>10.4b</b> Conditions More Likely to Lead to Increased Welfare	239
<b>10.4c</b> Other Static Welfare Effects of Customs Unions	239
<b>10.5</b> Dynamic Benefits from Customs Unions	240
<b>10.6</b> History of Attempts at Economic Integration	241
<b>10.6a</b> The European Economic Community	241
<b>10.6b</b> The European Free Trade Association	243
<b>10.6c</b> Attempts at Economic Integration Among Developing Nations	243
<i>Summary</i>	244
<i>A Look Ahead</i>	245
<i>Glossary</i>	245
<i>Questions for Review</i>	246
<i>Problems</i>	247
<i>Appendix: General Equilibrium Analysis of the Static Effects of a Trade-Diverting Customs Union</i>	248
<i>Selected Bibliography</i>	250

## CHAPTER 11 INTERNATIONAL TRADE AND ECONOMIC DEVELOPMENT 251

<b>11.1</b> Introduction	251
<b>11.2</b> The Importance of Trade to Development	252

<b>11.2a</b>	Trade Theory and Economic Development	252
<b>11.2b</b>	Trade as an Engine of Growth	253
<b>11.2c</b>	The Contribution of Trade to Development	255
<b>11.3</b>	The Terms of Trade and Economic Development	256
<b>11.3a</b>	The Various Terms of Trade	256
<b>11.3b</b>	Alleged Reasons for Deterioration in the Comodity Terms of Trade	258
<b>11.3c</b>	Historical Movement in the Commodity Terms of Trade	259
<b>11.4</b>	Export Instability and Economic Development	260
<b>11.4a</b>	Causes and Effects of Export Instability	261
<b>11.4b</b>	Measurements of Export Instability and its Effect on Development	262
<b>11.4c</b>	International Commodity Agreements	263
<b>11.5</b>	Import Substitution Versus Exports	264
<b>11.5a</b>	Development Through Import Substitution versus Exports	265
<b>11.5b</b>	The Experience with Import Substitution	266
<b>11.6</b>	A New International Economic Order	267
<b>11.6a</b>	Conditions in Developing Nations	267
<b>11.6b</b>	Demands for a New International Economic Order	269

*Summary* 271 / *A Look Ahead* 272 / *Glossary* 272 / *Questions for Review* 274 / *Problems* 274  
*Selected Bibliography* 275

## CHAPTER 12 INTERNATIONAL RESOURCE MOVEMENTS AND MULTINATIONAL CORPORATIONS 279

<b>12.1</b>	Introduction	279
<b>12.2</b>	Some Data on International Capital Flows	280
<b>12.3</b>	Motives for International Capital Flows	282
<b>12.3a</b>	Motives for International Portfolio Investments	282
<b>12.3b</b>	Motives for Direct Foreign Investments	283
<b>12.4</b>	Welfare Effects of International Capital Flows	285
<b>12.4a</b>	Effects on the Investing and Host Countries	285
<b>12.4b</b>	Other Effects on the Investing and Host Countries	286
<b>12.5</b>	Multinational Corporations	288
<b>12.5a</b>	Reasons for the Existence of Multinational Corporations	288
<b>12.5b</b>	Problems Created by Multinational Corporations in the Home Country	289
<b>12.5c</b>	Problems Created by Multinational Corporations in the Host Country	290
<b>12.6</b>	Motives and Welfare Effects of International Labor Migration	291
<b>12.6a</b>	Motives for International Labor Migration	291
<b>12.6b</b>	Welfare Effects of International Labor Migration	292
<b>12.6c</b>	Other Welfare Effects of International Labor Migration	293

*Summary 294 / A Look Ahead 296 / Glossary 296 / Questions for Review 296 / Problems 297*  
*Appendix: The Transfer Problem 298*  
*Selected Bibliography 299*

**PART III: FOREIGN EXCHANGE MARKETS AND THE  
BALANCE OF PAYMENTS 301**

**CHAPTER 13 THE FOREIGN EXCHANGE MARKETS 303**

<b>13.1</b>	Introduction	303
<b>13.2</b>	Functions of the Foreign Exchange Markets	303
<b>13.3</b>	The Foreign Exchange Rates	305
<b>13.3a</b>	The Equilibrium Foreign Exchange Rates	306
<b>13.3b</b>	Arbitrage	308
<b>13.3c</b>	Spot and Forward Rates	309
<b>13.4</b>	Foreign Exchange Risks, Hedging and Speculation	312
<b>13.4a</b>	Foreign Exchange Risks	312
<b>13.4b</b>	Hedging	315
<b>13.4c</b>	Speculation	316
<b>13.5</b>	Interest Arbitrage	318
<b>13.5a</b>	Uncovered Interest Arbitrage	318
<b>13.5b</b>	Covered Interest Arbitrage	318
<b>13.6</b>	The Eurocurrency Markets	320
<b>13.6a</b>	Description of Eurocurrency Markets	320
<b>13.6b</b>	Operation and Effects of Eurocurrency Markets	322

*Summary 324 / A Look Ahead 325 / Glossary 325 / Questions for Review 327 / Problems 327*  
*Appendix: A13.1 Derivation of the Demand and Supply Curves for Foreign Exchange 329*  
    *A13.2 Covered Interest Arbitrage and Interest Parity Theory 331*  
    *A13.3 Derivation of the Formula for the Covered Interest Arbitrage Margin 334*  
*Selected Bibliography 336*

**CHAPTER 14 THE BALANCE OF PAYMENTS 337**

<b>14.1</b>	Introduction	337
<b>14.2</b>	Balance of Payments Accounting Principles	338
<b>14.2a</b>	Debits and Credits	338
<b>14.2b</b>	Double-Entry Bookkeeping	339



<b>14.3</b>	<b>The International Transactions of the United States in 1980</b>	<b>342</b>
<b>14.4</b>	<b>Accounting Balances and Disequilibrium in International Transactions</b>	<b>345</b>
<b>14.4a</b>	<b>Accounting Balances</b>	<b>345</b>
<b>14.4b</b>	<b>Disequilibrium in International Transactions</b>	<b>346</b>
<b>14.5</b>	<b>Brief Postwar International Monetary History of the United States</b>	<b>349</b>
<b>14.6</b>	<b>The International Investment Position of the United States</b>	<b>351</b>
<i>Summary 352 / A Look Ahead 354 / Glossary 354 / Questions for Review 355 / Problems 356</i>		
<i>Appendix: A14.1 The International Transactions of the United States:1960 – 1980 357</i>		
<i>A14.2 The Basic Balance and the Net Liquidity Balance 360</i>		
<i>A14.3 The IMF Method of Reporting International Transactions 362</i>		
<i>Selected Bibliography 363</i>		

## **PART IV: ADJUSTMENT IN THE BALANCE OF PAYMENTS AND DOMESTIC STABILITY 365**

### **CHAPTER 15 PRICE ADJUSTMENT MECHANISM 367**

<b>15.1</b>	<b>Introduction</b>	<b>367</b>
<b>15.2</b>	<b>Adjustment with Flexible Exchange Rates</b>	<b>368</b>
<b>15.2a</b>	<b>Balance of Payments Adjustment with Exchange Rate Changes</b>	<b>369</b>
<b>15.2b</b>	<b>Derivation of the Demand Curve for Foreign Exchange</b>	<b>370</b>
<b>15.2c</b>	<b>Derivation of the Supply Curve for Foreign Exchange</b>	<b>372</b>
<b>15.2d</b>	<b>Effect of Exchange Rate Changes on Domestic Prices and the Terms of Trade</b>	<b>373</b>
<b>15.3</b>	<b>Stability of Foreign Exchange Markets</b>	<b>374</b>
<b>15.3a</b>	<b>Stable and Unstable Foreign Exchange Markets</b>	<b>374</b>
<b>15.3b</b>	<b>The Marshall-Lerner Condition</b>	<b>376</b>
<b>15.4</b>	<b>Elasticities in the Real World</b>	<b>377</b>
<b>15.4a</b>	<b>Elasticity Estimates</b>	<b>377</b>
<b>15.4b</b>	<b>Evaluation of Elasticity Measurements</b>	<b>378</b>
<b>15.5</b>	<b>Purchasing-Power Parity</b>	<b>379</b>
<b>15.5a</b>	<b>Absolute Purchasing-Power Parity Theory</b>	<b>380</b>
<b>15.5b</b>	<b>Relative Purchasing-Power Parity Theory</b>	<b>381</b>
<b>15.6</b>	<b>Adjustment Under the Gold Standard</b>	<b>383</b>
<b>15.6a</b>	<b>The Gold Standard</b>	<b>383</b>
<b>15.6b</b>	<b>The Price-Specie-Flow Mechanism</b>	<b>384</b>