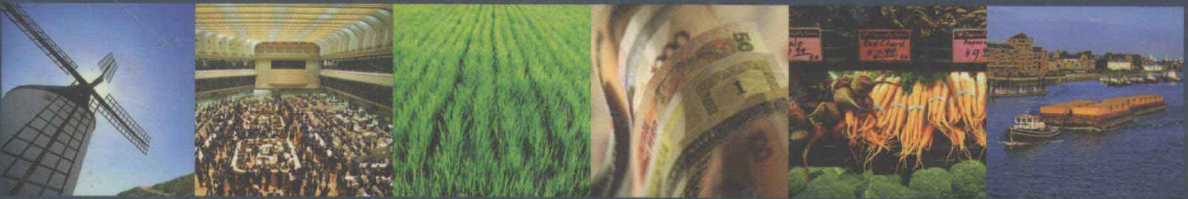


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9th edition

International Economics



Robert J. Carbaugh



ninth edition

International Economics

Robert J. Carbaugh

Professor of Economics
Central Washington University

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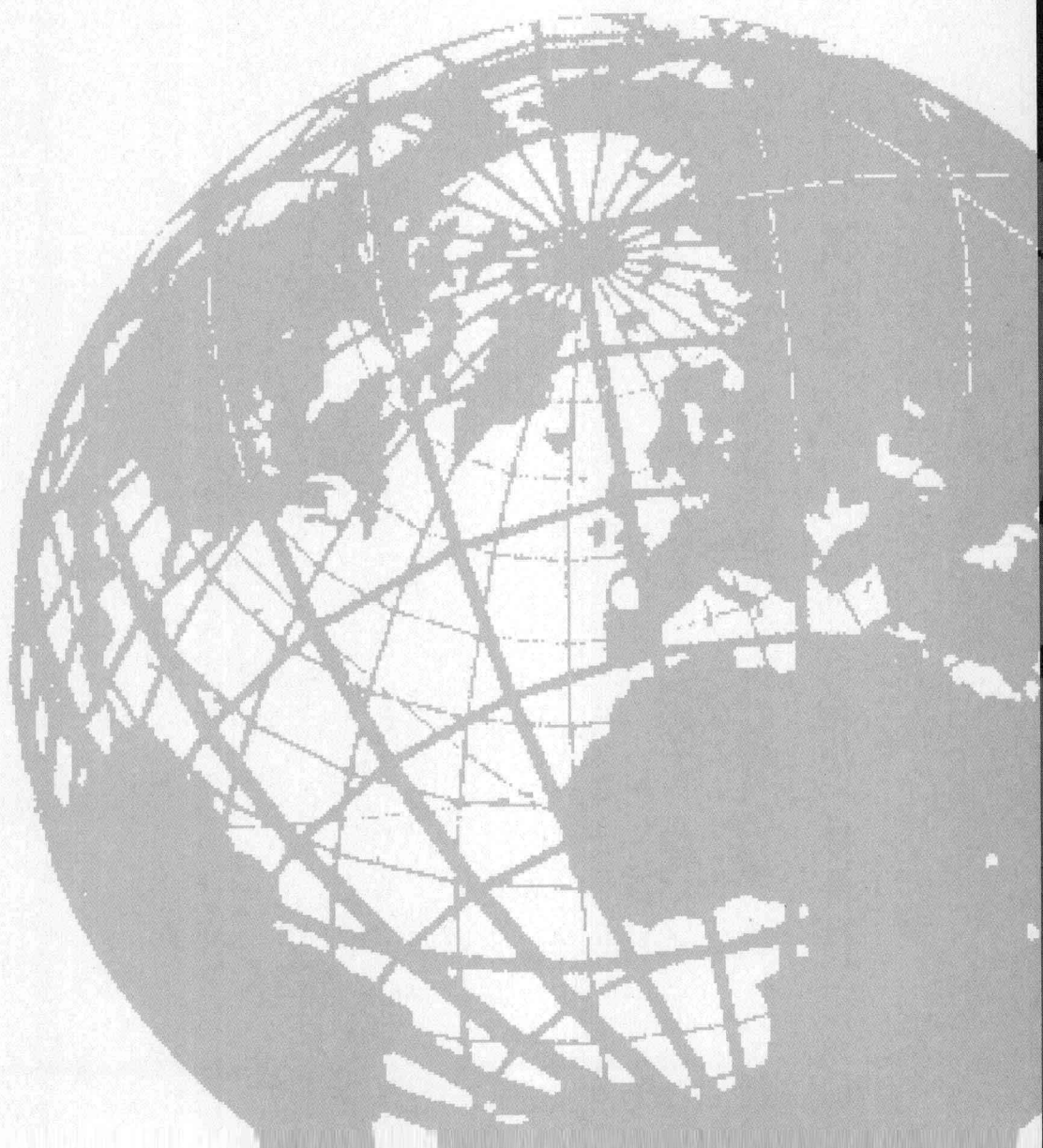
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Preface



Preface

My belief is that the best way to motivate students to learn a subject is to demonstrate how it is used in practice. The first eight editions of *International Economics* reflected this belief and were written to provide a serious presentation of international economic theory with an emphasis on current applications. Adopters of these editions strongly supported the integration of economic theory with current events.

This edition has been revised with an eye toward improving this presentation and updating the applications as well as toward including the latest theoretical developments. Like its predecessors, this edition is intended for use in a one-quarter or one-semester course for students who have no more background than principles of economics. This book's strengths are its clarity and organization and its applications, which demonstrate the usefulness of theory to students. The revised and updated material in this edition emphasizes current applications of economic theory and incorporates recent theoretical and policy developments in international trade and finance.

NEW TO THIS EDITION

This edition highlights five themes that are widely discussed by the news media: (1) globalization of economic activity; (2) Free trade and “quality of life” issues; (3) trade conflicts between developing nations and industrial nations; (4) liberalizing trade—the WTO versus regional trading arrangements; and (5) the dollar as a key currency. These themes are emphasized throughout the text as follows:

Globalization of economic activity

- Waves of globalization—Ch. 1
- Why globalization is important—Ch. 1
- Globalization and competitiveness—Ch. 1
- Has globalization gone too far?—Ch. 1
- Terrorism jolts the global economy—Ch. 1 and Ch. 4
- The anxiety behind globalization—Ch. 2
- Free trade and the law of comparative advantage—Ch. 2

Free trade and quality of life issues

- Do low-skilled jobs have to shift overseas?—Ch. 2
- Does trade make the poor even poorer?—Ch. 4
- Sweatshop labor competes against American workers—Ch. 4
- Does wage insurance make free trade more acceptable to workers?—Ch. 7
- Free trade policies and the environment—Ch. 7
- Is the Kyoto Protocol a lot of hot air?—Ch. 4

Trade conflicts between developing nations and industrial nations

- Trade problems of the developing nations—Ch. 8
- Economic growth strategies—import substitution versus export-led growth—Ch. 8
- Can all developing nations achieve export led growth?—Ch. 8
- China enters the WTO—Ch. 8
- The Battle in Seattle: Breakdown of WTO meetings—Ch. 9
- Do industrial nations gain from trade liberalization with developing nations?—Ch. 9
- Do U.S. multinationals exploit foreign workers?—Ch. 10

Liberalizing trade: The WTO versus regional trading arrangements

- From GATT to the WTO—Ch. 7
- Does the WTO reduce national sovereignty?—Ch. 7
- Regional integration versus multilateralism—Ch. 9
- The European Union—Ch. 9
- The North American Free Trade Agreement—Ch. 9

The dollar as a key currency

- Euro and dollar compete for supremacy—Ch. 9
- NAFTA: An optimum currency area?—Ch. 9
- Stabilizing currencies of developing countries: Currency boards versus dollarization—Ch. 16
- For Argentina, no panacea in dollarization—Ch. 16

Besides emphasizing several contemporary themes, the ninth edition of this text contains many new or substantially revised topics such as:

- Terrorist attack results in added costs and slowdown for U.S. freight system—Ch. 4
- Smuggled steel evades U.S. tariffs—Ch. 5
- Steel-using industries oppose restrictions on steel imports—Ch. 6
- Should antidumping laws reflect currency fluctuations?—Ch. 6
- Bush's steely pragmatism—Ch. 7
- Trucking restrictions put brakes on NAFTA trade—Ch. 9
- Facts about the euro—Ch. 9
- Is the current account deficit a problem?—Ch. 11
- Nominal versus real exchange rates—Ch. 12
- Appreciating dollar stifles U.S. manufacturers—Ch. 15
- U.S. executives raise pressure to deflate dollar—Ch. 16

ORGANIZATIONAL FRAMEWORK

Although instructors generally agree on the basic content of the international economics course, opinions vary widely about what arrangement of material is appropriate. This book is structured to

provide considerable organizational flexibility. The topic of international trade relations is presented before international monetary relations, but the order can be reversed by instructors who choose to start with monetary theory. Instructors can begin with Chapters 11–18 and conclude with Chapters 2–10. Those who do not wish to cover all the material in the book can omit Chapters 7–10 and Chapters 16–18 without loss of continuity.

SUPPLEMENTARY MATERIALS

International Economics Web Site (<http://carbaugh.swcollege.com>)

In this age of technology, no text package would be complete without Web-based resources. An international economics Web site is offered with the ninth edition. This site, <http://carbaugh.swcollege.com> contains many useful pedagogical enrichment features including NetLink Exercises, which draw upon the expanded NetLinks feature at the end of each chapter. While the NetLinks direct the student to an appropriate international economics Web site to gather data and other relevant information, the NetLink Exercises allow students to access these Web sites to answer pertinent and practical questions that relate to international economics. As an added enrichment feature, a Virtual Scavenger Hunt engages and encourages students to search for international economics answers at various Internet Web sites. These features are found within the “Interactive Study Center” section of the Carbaugh site (<http://carbaugh.swcollege.com>).

In addition, students and instructors alike can address questions and provide commentary directly to the author with the Talk to the Author feature.

For other high-tech study tools, Visit the South-Western Economics Resource Center at <http://economics.swcollege.com>.

Carbaugh Xtra!

(<http://carbaughxtra.swcollege.com>)

Free access to the Carbaugh Xtra! Web site (a \$25 value) is packaged with every new copy of

the text. Students purchasing a used book can buy access to Carbaugh Xtra! online at <http://carbaughxtra.swcollege.com>.

Carbaugh Xtra! offers a variety of online learning enhancements, including tutorials that cover the most difficult concepts for students, such as graphing and derivatives. These tutorials, created by Koushik Ghosh of Central Washington University, walk students through extensive graphing and derivatives exercises that correspond to exercises found within the book.

Carbaugh Xtra! also offers links to “Economic Applications” (EconNews, EconData, and EconDebate online features that closely relate concepts discussed in the text to the latest contemporary applications); and Xtra! quizzing, which offers you an opportunity to practice for midterms and finals by taking interactive quizzes.

PowerPoint Slides

The ninth edition also includes Power Point slides created by Steve Norton of Okno Consulting Group, Ann Arbor, Michigan. These slides can be easily downloaded from the Carbaugh Web site (<http://carbaugh.swcollege.com>) within “Instructor Resources” and “Student Resources.” The slides offer professors flexibility in enhancing classroom lectures. Slides may be edited to meet individual needs. They also serve as a study tool for students.

Instructor’s Manual

To assist instructors in the teaching of international economics, I have written an *Instructor’s Manual with Test Bank* (ISBN: 0-324-18234-1) that accompanies the ninth edition. It contains: (1) brief answers to end-of-chapter study questions; (2) multiple-choice questions for each chapter; and (3) true-false questions for each chapter. The Instructor’s Manual with Test Bank is available for download for qualified instructors from the Carbaugh Web site (<http://carbaugh.swcollege.com>) under “Instructor Resources.”

Study Guide

To accompany the ninth edition of the international economics text, Professor Jim Hanson of

Willamette University has prepared a *Study Guide* (ISBN: 0-324-18228-7) for students. This guide reinforces key concepts by providing a review of the text’s main topics and offering practice problems, true-false and multiple-choice questions, and short-answer questions.

InfoTrac College Edition

An InfoTrac College Edition 4-month subscription card is automatically packaged **free** with new copies of this text. With InfoTrac College Edition, journals like *Business Week*, *Fortune*, and *Forbes* are just a click away! InfoTrac College Edition provides students with anytime, anywhere access to 20 years’ worth of full-text articles (**more than 10 million!**) from nearly **4,000** scholarly and popular sources! In addition to receiving the latest business news as reported in the popular business press, students also have access to many other journals, among them those that are particularly valuable to the economics discipline—including the *Economist* (US), *American Economist*, *Economic Review*, and *Quarterly Journal of Economics*. For more information on InfoTrac College Edition, visit <http://infotrac.thomsonlearning.com/index.html>

Inside the Global Economy

Besides serving the educational needs of resident college students, the ninth edition of *International Economics* addresses the needs of distant-learning students; it is the recommended text for the telecourse, *Inside the Global Economy*, provided by the Annenberg/CPB Project. Inside the Global Economy includes 13 one-hour television programs that present an in-depth examination of the basic principles of international economics. Each program features two documentary case studies that illustrate the connection between economic theory and global trade, business, and finance in concrete, highly visual terms. The 26 case studies were produced in more than 20 countries. Besides the case studies, each program provides an introduction and analysis of the economic principles by the project’s director of content, Dr. Nariman Behraves, senior vice-president/research director at DRI/McGraw-Hill. A distinguished group of international economists from Australia, Sweden,

Venezuela, and the United States wraps up each program with an illuminating round-table discussion of a major economic issue. To request a VHS preview cassette, phone 1-800-LEARNER or write Annenberg/CPB Collection, P.O. Box 2345, South Burlington, VT 05407-2345.

To accompany *Inside the Global Economy*, I have also prepared a reader, *Inside the Global Economy: A Case Study Reader and Review Guide* (ISBN: 0-538-84444-2). A discount package is available for those courses using my textbook and reader.

TextChoice

TextChoice is the home of Thomson Learning's online digital content. TextChoice provides the fastest, easiest way for you to create your own learning materials. South-Western's Economic Issues and Activities content database includes a wide variety of high-interest, current event/policy applications as well as classroom activities designed specifically to enhance economics courses. Choose just one reading, or many—even add your own material—to create an accompaniment to the textbook that is perfectly customized to your course. Contact your South-Western/Thomson Learning sales representative for more information.

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