



Eleventh Edition

INTERNATIONAL ECONOMICS

Thu Vlen DHKTCN-TN



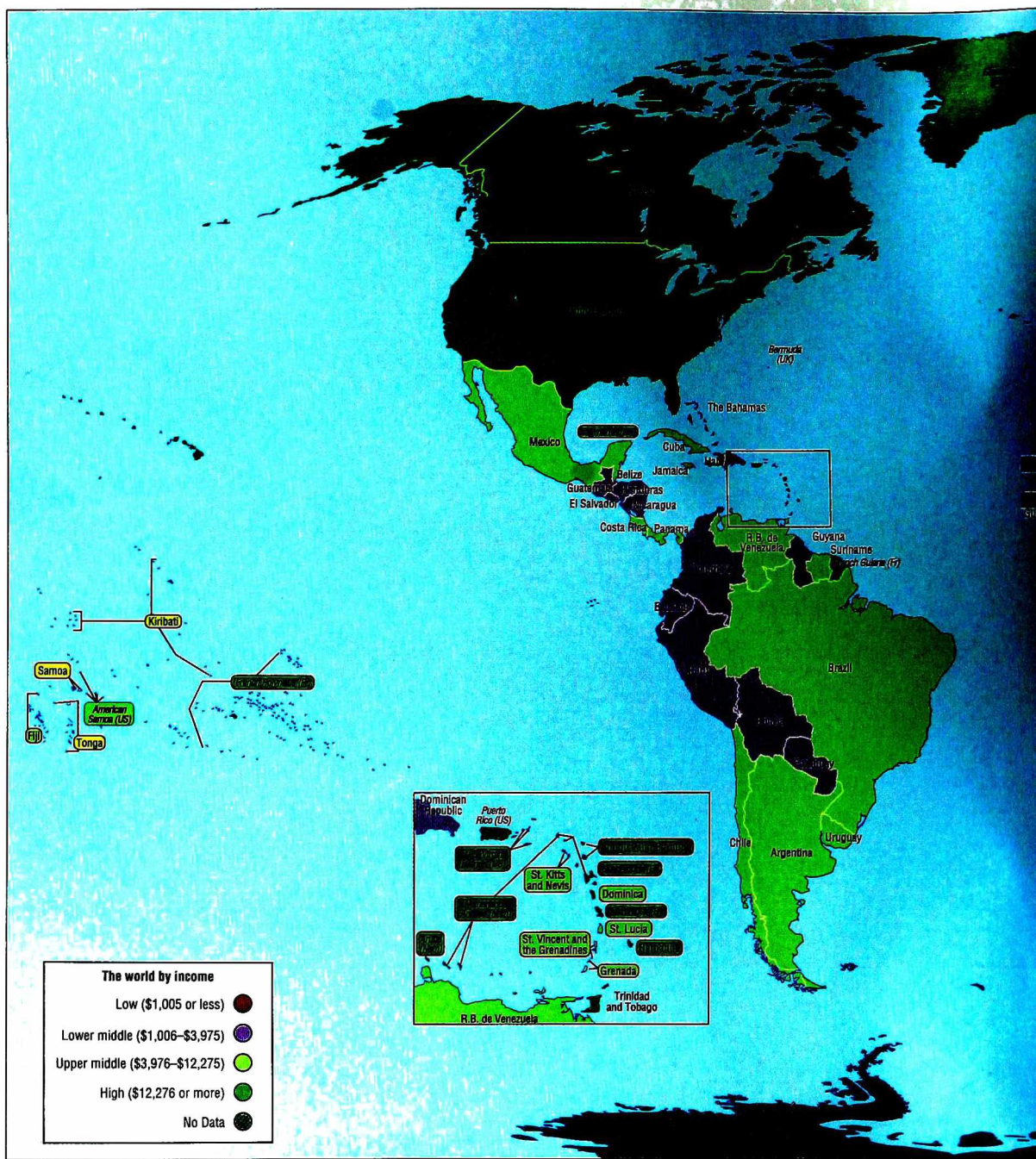
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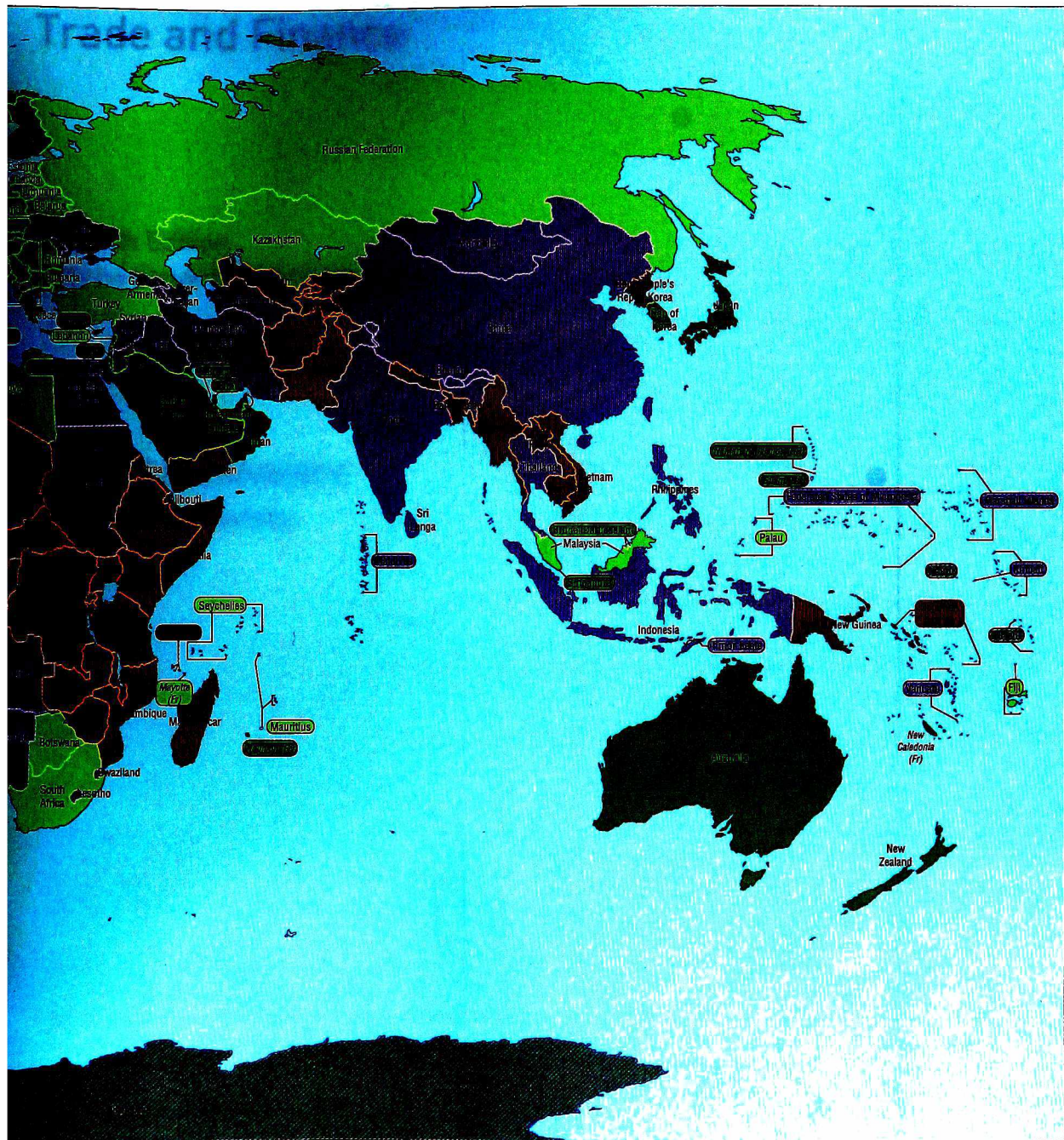
Dominick Salvatore

International Student Version

WILEY



Source: The World Bank 2012.



International Economics

Trade and Finance

Eleventh Edition
International Student Version

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WILEY

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ISBN 978-1-118-17794-5

Printed in Asia

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To Lucille

Preface

This is the eleventh edition of a text that has enjoyed a flattering market success, having been adopted by more than 600 colleges and universities throughout the United States, Canada, and other English-speaking countries and more than 1,000 in other countries around the world. The text has been translated into Chinese, French, Greek, Indonesian, Italian, Korean, Polish, Portuguese (Brazilian), Spanish, Russian, and other languages. All the features that have made the previous editions of this text one of the leading texts of International Economics in the United States and around the world have been retained in the eleventh edition. However, the content has been thoroughly updated and expanded to include many new significant topics and important recent developments.

Significant International Developments

The main objective of the eleventh edition of *International Economics: Trade and Finance* is to present a comprehensive, up-to-date, and clear exposition of the theory and principles of international economics that are essential for understanding, evaluating, and suggesting solutions to the important international economic problems and issues facing the United States and the rest of the world today, and that countries are likely to face in the coming years. These are:

1. Slow growth and high unemployment in advanced economies after the “Great Recession”—the deepest financial and economic crisis since the Great Depression of 1929.
2. Rising protectionism in the United States and in other advanced countries in the context of a rapidly globalizing world reduces the level of specialization and trade, and it raises the specter of trade wars that would be very detrimental to the welfare of all nations.
3. Excessive volatility and large and persistent misalignments of exchange rates discourage the international flow of trade and investments and could lead to international financial and monetary crises.
4. Deep structural imbalances in the United States, slow growth in Europe and Japan, and insufficient restructuring in the transition economies of Central and Eastern Europe reduce the volume of international trade and could cause the collapse of the dollar and/or the euro.

5. The deep poverty in many developing countries and the widening international inequalities pose serious moral, political, and developmental problems for the United States and other advanced countries.
6. Resource scarcity, environmental degradation, and climate change put at risk continued growth in the United States and other advanced countries, as well as sustainable development in emerging markets.

These events significantly affect the well-being of the United States and the rest of the world but are, to a large extent, beyond U.S. control.

New to the Eleventh Edition

Chapter 1 has been thoroughly revised and updated to reflect the dramatic economic and financial changes that have taken place in the world economy since the last edition of this text. Section 1.6 has been thoroughly revised to identify the major international economic (trade and financial) problems facing the United States and the world today, and so has the discussion in Chapter 21 (Section 21.6), which examines how they can be resolved.

The rapid globalization of the world economy is providing major benefits to most countries, but it is also presenting many challenges to poor countries that are unable to take advantage of globalization, as well as to the United States and other advanced countries that face increasing competition from some emerging markets, especially China. These topics are discussed in several new sections and case studies in the trade and finance part of the text.

The dollar–euro exchange rate is as much in the news these days as the huge and unsustainable trade deficits of the United States and sovereign debts in the Eurozone. The relationship between U.S. trade deficits, trade protectionism and misaligned exchange rates, as well as the crisis in the Euro Area are examined, both theoretically and empirically, and in all of their ramifications, in several trade and finance sections and case studies in this new edition of the text.

Besides their effect on international trade and international competitiveness, the continuing globalization of the world economy and liberalization of international capital markets have further eroded governments' control over national economic and financial matters. Exchange rates exhibit great volatility and large misalignments, both of which interfere with the flow of international trade and investments and distort the comparative advantage of nations. At the same time, international macroeconomic policy coordination has not progressed sufficiently to deal adequately with the potential problems and challenges that increased interdependence in world financial markets create.

The eleventh edition of this book also presents an in-depth analysis of the dangerous structural imbalances in the world economy and provides an evolution of the policy options available to deal with them. The major imbalances in the world economy today are the huge trade and budget (twin) deficits of the United States, the slow growth and high unemployment in Europe, the decade-long stagnation in Japan, the serious competitive challenge for both advanced and developing countries provided by the competition from China, the danger of financial and economic crises in emerging market economies, world poverty, resource scarcity, and environmental degradation. All of these topics are addressed in this edition of the text.

There are over one hundred case studies in the text. Many are new, and the others have been thoroughly revised.