



This is “Preface”, article 3 from the book [Policy and Theory of International Finance \(index.html\)](#) (v. 1.0).

This book is licensed under a [Creative Commons by-nc-sa 3.0](http://creativecommons.org/licenses/by-nc-sa/3.0/) license. See the license for more details, but that basically means you can share this book as long as you credit the author (but see below), don't make money from it, and do make it available to everyone else under the same terms.

This content was accessible as of December 29, 2012, and it was downloaded then by [Andy Schmitz](http://lardbucket.org) in an effort to preserve the availability of this book.

Normally, the author and publisher would be credited here. However, the publisher has asked for the customary Creative Commons attribution to the original publisher, authors, title, and book URI to be removed. Additionally, per the publisher's request, their name has been removed in some passages. More information is available on this project's [attribution page](http://2012books.lardbucket.org/attribution.html?utm_source=header).

For more information on the source of this book, or why it is available for free, please see [the project's home page](http://2012books.lardbucket.org/). You can browse or download additional books there.

# Preface

Traditionally, intermediate-level international economics texts seem to fall into one of two categories. Some are written for students who may one day continue on in an economics PhD program. These texts develop advanced general equilibrium models and use sophisticated mathematics. However, these texts are also very difficult for the average, non-PhD-bound student to understand. Other intermediate texts are written for noneconomics majors who may take only a few economics courses in their program. These texts present descriptive information about the world and only the bare basics about how economic models are used to describe that world.

This text strives to reach a median between these two approaches. First, I believe that students need to learn the theory and models to understand how economists understand the world. I also think these ideas are accessible to most students if they are explained thoroughly. This text presents numerous models in some detail, not by employing advanced mathematics, but rather by walking students through a detailed description of how a model's assumptions influence its conclusions. Second, and perhaps more important, students must learn how the models connect with the real world. I believe that theory is done primarily to guide policy. We do positive economics to help answer the normative questions; for example, what should a country do about its trade policy or its exchange rate policy? The results from models give us insights that help us answer these questions. Thus this text strives to explain why each model is interesting by connecting its results to some aspect of a current policy issue. A prime example is found in Chapter 13 "Fixed versus Floating Exchange Rates" of this book, which addresses the age-old question of whether countries use fixed or floating exchange rates. The chapter applies the theories developed throughout the text to assist our understanding of this long-standing debate.