



FOREIGN SERVICE INSTITUTE

SCHOOL OF PROFESSIONAL STUDIES

DIVISION OF ECONOMIC AND COMMERCIAL STUDIES

FOREIGN SERVICE ECONOMIC/COMMERCIAL STUDIES

Program Description

and

Selected Bibliography

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FOREIGN SERVICE ECONOMIC/COMMERCIAL STUDIES

The Foreign Service Economic/Commercial Studies is an intensive and comprehensive program of economic training designed to give participants the equivalent of a strong undergraduate major in economics with additional professional instruction in commercial subjects. The twenty-six week session, held twice a year, is divided into three seven-week terms for economics in twelve subjects and a four-week term covering four commercial subjects. Participants are carefully selected on the basis of demonstrated ability to do mature academic work, on the basis of their record in the Foreign Service or other government agency, and on their motivation. A professional faculty, representing universities both in and outside the Washington area, conduct the courses. Instruction is oriented to the needs of the Foreign Service and is designed to qualify the participants to fill a broad range of positions in the field and in Washington.

For some years, there has been a shortage of Foreign Service Officers with economic training. This shortage results from the fact that the number of officers entering the Service who have economic training is inadequate to meet the needs of the Service. The Department requirements for economic officers were the subject of a study by a task force in which all of the bureaus having substantive responsibilities in the economic field participated. This study indicated that despite the excellence of the present university training program, it was not sufficient to meet the Department requirements and that it would be necessary substantially to increase the level of training. The Foreign Service Economics Studies, an intensive course of basic training in economics at FSI, was therefore designed as a principal step in meeting the needs shown by the task force study. In the July 1970 program the period was extended to 26 weeks to permit implementation of the Secretary's directive that professional training be offered to make Foreign Service Officers more responsive to the needs of American business abroad.

University economic training is available for those fully qualified to do graduate work in the field. University training assignments are limited to officers who have an undergraduate major in economics or its equivalent and who have demonstrated a capacity to do economic work of high

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quality by superior performance on the job. For the purpose of selection of officers for advanced study at a university, satisfactory completion of the Foreign Service Economic Studies program at FSI will be considered as the equivalent of an undergraduate major in economics. University training at outstanding schools of business administration is now available to officers whose interests are primarily in commercial/business work. The same high standards of UET selection prevail for officers seeking assignment to graduate business administration.

The program of studies is divided into three sessions of approximately seven weeks each and a fourth session of approximately four weeks. The courses offered, which constitute a unified study program are as follows:

First Session

Economic Analysis
National Income Accounts
Mathematics and Statistics
Development of Economic Thought (six lectures)

Second Session

Money and Banking
Public Finance
International Economics I: Introduction; Trade Theory and Policy
Introduction to Strategy, Game Theory and Decision Making

Third Session

The American Economy
International Economics II: Balance of Payments; Finance Theory and Policy
Economic Growth and Development
Foreign Service Economic Reporting
Applied Econometrics: Collectivist and Market Systems

Fourth Session

International Marketing
International Corporate Financing
Multinational Corporation Operations
International Business Environment and Public Policy

In the last two weeks of the Third Session the class is divided into seminar groups where students prepare and present papers on opposing sides of topics in international finance, economic development and comparative systems. In these seminars emphasis is placed upon the students' ability to handle with rigorous analysis crucial aspects of topics which are of major current importance.

Classes are limited to a maximum of 25 participants drawn primarily from FSO Classes 4 to 6, or the equivalent. Prerequisites for acceptance are a superior performance record as a Foreign Service Officer and career interests which require a sound foundation in economics. Preference is given to officers who have demonstrated an aptitude for economic work. While the program is designed particularly to meet the requirements of the Foreign Service, a small number of places will be reserved for officers from other agencies who intend to work in the field of international economic relations.

Officers desiring to be considered for assignment to the program should make their interest known by letter addressed to the Executive Director of the Bureau to which they are assigned, sending copies to the Chief, Mid-Career Personnel Division, and the Coordinator, Economic and Commercial Studies, Foreign Service Institute. Transcripts of all the officer's previous college and university work should also be sent to FSI, but need not accompany the copy of the letter.

COURSE DESCRIPTION AND BIBLIOGRAPHY

First Term

ECONOMIC ANALYSIS

This course is given in two-hour sessions five times a week for seven weeks, or a total of seventy hours. Emphasis is placed upon training to think analytically in the fields of microeconomics and macroeconomics. Special emphasis is placed upon the mastering of basic theoretical economic concepts, fundamental analytical tools, and facility in using various techniques of analysis.

Main Text:

Paul E. Samuelson, Economics, 8th Edition (McGraw-Hill)

Required Readings:

Richard H. Leftwich, The Price System and Resource Allocation, 4th Edition (Holt-Rinehart-Winston)

Joseph P. McKenna, Aggregate Economic Analysis, Revised Edition (Holt-Rinehart-Winston)

Robert L. Heilbroner, The Making of Economic Society, (Prentice-Hall)

NATIONAL INCOME ACCOUNTS

This course is given in two-hour sessions held twice a week for five weeks, or a total of twenty hours. Emphasis is on understanding the various ways of computing national income accounts and on developing the ability to interpret accounts as required in most economic reporting assignments abroad and in Washington. Exercises are designed to develop the student's ability to organize, interpret, and evaluate national accounts wherever he may be assigned.

Main Text:

Samuel Rosen, National Income, (Holt-Rinehart-Winston)

Required Readings:

U.S. Department of Commerce, Office of Business Economics. U.S. Income and Output, a supplement to the Survey of Current Business, 1958. (Washington: U.S. Government Printing Office, 1959).

U.S. Department of Commerce, Office of Business Economics. National Income, a supplement to the Survey of Current Business, 1954. (Washington: U.S. Government Printing Office, 1954).

U.S. Department of Commerce, Office of Business Economics. "The National Income and Product Accounts of the U.S.: Revised Estimates, 1929-64." Survey of Current Business, August 1964.

United Nations. A System of National Accounts and Supporting Tables. United Nations, 1968.

OEEC: A Standardized System of National Accounts, 1968 Edition. Paris: Organization for European Economic Cooperation, 1969.

MATHEMATICS AND STATISTICS

This course is given in two-hour sessions twice a week for seven weeks, or a total of twenty-eight hours. The first few sessions are devoted to a review of mathematical principles in order to enable the student to advance more meaningfully in the field of statistics and also to understand in greater depth concepts taught in the Economic Analysis and other courses. Primary emphasis is placed upon the participants developing the ability to evaluate and interpret statistical data and to conduct statistical studies in those areas pertinent to Foreign Service economic work. A weekly lab is held in which the students analyze with an assistant their work on statistical problems. The principal emphasis of the course is not on the development of a professional understanding of statistical theory but on the advancement of the officer to a high level of ability to use and interpret statistics as required in his various assignments.

Main Text:

Richard Varnett, Elementary Algebra (Schaum)

Frank Ayers, Jr., Calculus (Schaum)

Alder & Roessler, An Introduction to Probability and Statistics (Freeman)

Michael J. Brennan, Preface to Econometrics, 2nd Edition, (South-Western)

Second Term

INTRODUCTION TO STRATEGY, GAME THEORY AND DECISION MAKING

This course is designed to increase the students' effectiveness in making decisions under varying conditions of uncertainty. Students will develop the framework for economic, political, diplomatic or military games, and access to modern computers will give the students the opportunity to become informed of the role of electronic computers in decision making and to be instructed in the use of computer runs in testing their decisions. Actual negotiating situations will be analyzed and decisions reached by usual approaches will be compared to those reached by use of the latest techniques in the fields of game theory and strategy.

Main Texts:

Alder & Roessler, An Introduction to Probability and Statistics, (Freeman)

Seymour Lipschutz, Theory and Problems of Finite Mathematics, (Schaum)

MONEY AND BANKING

This course is held in two-hour sessions meeting twice a week for seven weeks, or a total of twenty-eight hours. Emphasis is placed upon understanding the role of money in the modern economy, both developed and developing, the role of the central bank, the relations of the central bank with the commercial banking system, and the significance of money and banking in the development of economies, with particular reference to their role in policy implementation which may be either inflationary or deflationary.

Main Text:

Shapiro, Solomon & White, Money and Banking
(Holt-Rinehart-Winston)

Required Readings:

Federal Reserve System - Purposes and Functions
(Federal Reserve Board)

Federal Reserve Bulletin - various issues.

PUBLIC FINANCE

This course is held in two-hour sessions meeting twice a week for seven weeks, or a total of twenty-eight hours. Emphasis is placed upon understanding various aspects of fiscal policy, which includes the study of national budgets, tax policy, relations of budgets to national income and balance of payments, with certain foreign country examples used in the latter part of the course to acquaint the student with the kinds of data he may expect to handle on foreign assignments.

Main Texts:

Davie & Duncombe, Modern Political Arithmetic
(Holt-Rinehart-Winston)

John F. Due, Government Finance: Economics of the Public Sector (Irwin)

Required Readings:

Robert Dorfman, Editor, Measuring Benefits of Government Investments, Studies of Government Finance (The Brookings Institute)

Warren L. Smith and Ronald L. Tiegen, Readings on Money, National Income and Stabilization Policy,
(Irwin)

The Economic Report of the President

The Budget of the U.S. Government (U.S. Bureau of the Budget)

Joint Tax Program, Papers and Proceedings of a Conference, Fiscal Policy for Economic Growth in Latin America, (The Johns Hopkins Press)

Scherer and Papke, Public Finance and Fiscal Policy
(Houghton-Mifflin)

Mancur Olson, The Logic of Collective Action (Schocken)

INTERNATIONAL ECONOMICS I: INTRODUCTION; TRADE THEORY AND POLICY

This course is held in two-hour sessions meeting three times a week for seven weeks, or a total of forty-two hours. The course seeks to strike an appropriate balance between international trade theory and analysis and international trade policy. Particular emphasis is placed upon those areas of international trade policy which are of greatest interest to officers serving abroad or in specialized areas of a Washington agency. Among the fields covered are tariff policy, regional groupings, foreign aid, and international resource policy.

Main Texts:

Imanuel Wexler, Fundamentals of International Economics (Random House)

Charles P. Kindleberger, International Economics, 4th Edition (Irwin)

Gerald M. Meier, The International Economies of Development (Harper and Row)

Required Readings:

Charles P. Kindleberger, Foreign Trade and the National Economy (Yale University)

J.E. Meade, The Theory of Customs Unions (North-Holland Publishing Co.)

William E. Haviland, International Commodity Agreements (Planning Association of Canada)

Selected readings from Economic Journals, studies and special reports as appropriate.

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Third Term

THE AMERICAN ECONOMY

This course consists of ten lectures of two hours each given over a seven-week period, or a total of twenty hours. Emphasis is placed upon giving the student a broad survey of the historical and institutional development of the American economy with particular emphasis upon those aspects of the American economy which the student may most often find among topics of discussion either at a foreign post or in Washington. Emphasis is placed upon the role of ideas in the development of the American economy, the American philosophy of competition, the role of labor, the American corporation, American agriculture, and the American social structure as it influences, and is influenced by, economic institutions.

Main Texts:

J.K. Galbraith, The Great Crash (Houghton-Mifflin)

R. Heilbroner, The Limits of American Capitalism
(Harper and Row)

Edmund Phelps, Problems of the Modern Economy
(Norton)

Walter Heller, New Dimensions of Political Economy
(Norton)

Arthur Okun, The Political Economy of Prosperity
(Norton)

ECONOMIC GROWTH AND DEVELOPMENT

This course is held in three two-hour sessions per week for seven weeks, or a total of forty-two hours. The course emphasizes various theories of development. The course analyzes not only the economic but also the political, social, cultural, institutional, religious, and other aspects of a society as they influence economic growth and development. Two or more case studies, from various areas of the world, are used in the course to illustrate the realities and problems of development as actually experienced in the respective economies.

Main Texts:

Benjamin Higgins, Economic Development, Revised Edition, (Norton)

W. Arthur Lewis, Theory of Economic Growth

Required Readings:

Robert L. Heilbroner, The Great Ascent (Harper Torchbook)

Charles Meier, Leading Issues in Development Economics (Oxford Press)

Theodore Schultz, Transforming Traditional Agriculture (Yale University Press)

Case Materials assigned to support specific case.

INTERNATIONAL ECONOMICS II: BALANCE OF PAYMENTS, FINANCE
THEORY AND POLICY

This course is given in three two-hour sessions per week for seven weeks, or a total of forty-two hours. The course consists of a comprehensive study of the meaning and role of international finance, including its relation to international trade and to domestic finance, the financial significance of the balance of payments, international financial operations, international liquidity and its components, proposed reforms of the international monetary structure, exchange and other financial controls adopted by trading countries with their effects of international trade, the role of the dollar in international trade, etc. The various international financial institutions are studied so that the student will develop a knowledge of those organizations with which he may be called upon to cooperate in the future.

Main Texts:

Charles Kindleberger, International Economics (Irwin)

Leland B. Yeager, International Monetary Relations
(Harper and Row)

Delbert A. Snider, International Monetary Relations
(Random House)

E. Marcus and M.R. Marcus, International Trade and Finance (Pitman Publishing Co.)

William Scammell, International Monetary Policy,
2nd Edition, (MacMillan Co.)

Report of the Review Committee for Payments Balance
Statistics. The Balance of Payments Statistics of
US - a review and appraisal. Bureau of the Budget
(Government Printing Office)

Selected Readings from Joint Economic Committee;
Federal Reserve; US Treasury; Princeton Series on
International Finance.

FOREIGN SERVICE ECONOMIC REPORTING

This course is given in two-hour sessions held once a week during the third term, or a total of fourteen hours. Emphasis is placed upon the relation of economic analysis to meaningful economic reporting, the sources and use of data essential to quality reporting, the structure of economic reporting, and its significance in influencing the determinations of policy.

Main Texts:

Foreign Service Manual - Section on Economic/
Commercial Reporting

Selected economic and commercial reports from the
field

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APPLIED ECONOMETRICS: COLLECTIVIST AND MARKET SYSTEMS

This is the third and last in a sequence of courses in mathematics and statistics and is given in two two-hour sessions for seven weeks. Using tools and techniques of analyses developed in the two previous courses econometric models are developed as a means of providing a broad framework within which to explore the implications of assumptions and alternative economic policies. Three models--one of the US representing a market economy, one representing the USSR for a collectivist economy and one for Israel representing a mixed economy--will be analyzed in detail as a means of showing the essential differences in the three types of economies. Models of Yugoslavia and Mainland China are also studied.

Main Text:

Michael Brennan, An Introduction to Quantitative Methods in Economics, (South-Western)

Supplementary Material:

Special Reports presenting econometric models of the US, USSR, and Israel.

COMMERCIAL SEGMENT

This segment of the course which follows the 22 weeks of economic studies is designed to give participants in the program a professional and sophisticated understanding of the problems of American business abroad, to give participants an understanding of the terminology of American business operations, and to develop both a theoretical and practical framework in the following four courses of study.

Fourth Term

INTERNATIONAL MARKETING

This course is given in ten two-hour sessions and is designed to increase the knowledge of participants in the course of the problems and techniques of international marketing with special attention to foreign marketing operations of US firms, with particular emphasis upon marketing operations to expand US foreign trade and contribute to improvement in the US balance of payments.

Text:

Fayerweather, International Marketing (Prentice-Hall)

INTERNATIONAL CORPORATE FINANCING

This course is given in ten two-hour sessions with its main purpose being to give the participant an understanding of the problems of corporate financing and the means that US businesses use to finance international operations. It is patterned on courses in corporate financing in leading business schools and is integrated with the participants previous training in the courses in international finance.

Texts:

Johnson, Financial Management (Allyn & Bacon)

Zenoff & Zwick, International Financial Management
(Prentice-Hall)

MULTINATIONAL CORPORATION OPERATIONS

This course is offered in a series of seminars conducted by outstanding experts on the multinational corporation from such schools as Harvard, MIT, and The New School for Social Research. The purpose of the course is to give participants a technical and practical framework with which to analyze what appears to be major changes in the organization of international business operations.

Texts:

Robinson, International Business Policy, (Holt-Rinehart-Winston)

Robinson, International Management, (Holt-Rinehart-Winston)

INTERNATIONAL BUSINESS ENVIRONMENT AND PUBLIC POLICY

This course is offered through a series of seminars offered by outstanding experts who cover such vital topics as:

- 1) "The Legal and Tax Framework of Business Operations Abroad"
- 2) "The Problems of Regulated Industries in Their Foreign Operations"
- 3) "US Anti-Trust Legislation and US Business Operations Abroad"
- 4) "US Public Policy and International Operations of American Firms"

Readings in this course will be the personal selections of the individual speakers.