

WHAT'S THIS CLASS ABOUT? The goal of this course is to provide an understanding of the basic principles of international trade and finance. The course is designed to familiarize students with issues that arise in open economy settings and to provide students with the analytical skills needed to analyze such issues. In addition, we will relate these theories to current world events whenever possible. A central issues of the class will be to thoroughly understand the debate concerning the pros and cons of economic integration regarding the we will study is why it is that most economists are in favor of free trade despite the fact that many politicians, unions, workers, and business people seem to think that trade is largely responsible for many of the economic problems in the U.S.

LEARNING GOALS:

- To understand the primary benefits and costs of international economic integration
- To obtain an introductory understanding of critical classical and modern trade models
- To obtain a basic understanding of how exchange rates are determined
- To understand the main causes of international financial crises

READING: *International Economics: Third Edition.* – James Gerber.

GRADING: There will be two midterms and a cumulative final. Also, homework assignments will be assigned periodically. Finally, there will be an essay assignment on a topic of your choice that will be due during the final week of class. The three scheduled exams, the essay, and your homework assignments will comprise your overall course grade. The following are relative weights of each graded component are as follows:

HOMEWORK:	10%
MIDTERM 1:	20%
MIDTERM 2:	20%
PAPER	15%
FINAL:	35%

THE WALL STREET JOURNAL: A ten-week subscription has been bundled with your textbook. If you have purchased the textbook online, I still recommended that you subscribe to the Wall Street Journal. Reading articles that analyze economic relationships between consumers, firms and governments allows economists at all levels to see how the theory translates (or fails to translate) into reality. Moreover, the WSJ provides a section that focuses on international issues each day.

ACADEMIC HONESTY: The University has a formal policy on academic honesty that applies to this course. Students should familiarize themselves this policy. My policy is that any student found guilty of cheating on an examination will receive a failing grade for the class.

STUDENTS WITH DISABILITIES: For those who have a documented learning, physical or psychological disability who are requesting reasonable academic adjustments, you are encouraged to contact Services for Students with Disabilities, Room 113, Science Center, 610-660-1774 or 610-660-1620 early in the semester. If you suspect that you have an *undiagnosed* disability (learning, physical, psychological), please contact Services for Students with Disabilities to discuss this concern. It is important to discuss instructional needs and accommodations with your professor early in the semester. All requests for extended-timed testing must be discussed with your professor at a minimum of one week prior to the date of each exam.

GENERAL OUTLINE OF COURSE AND ASSIGNED READINGS

WEEK 1: INTRODUCTION – GLOBALIZATION AND INTERNATIONAL ECONOMIC INSTITUTION

Reading: Chapters 1 and 2; **Focus:** Three aspects of international economic integration, International economic institutions - What are the IMF, World Bank, WTO? Pros and cons of international economic institutions

WEEK 2: CLASSICAL TRADE THEORY – COMPARATIVE ADVANTAGE

Reading: Chapter 3; **Focus:** Comparative vs. absolute advantage, gains to trade in the Ricardian model with 2countries/ 2outputs/ 1input

WEEK 3: MODERN TRADE THEORY – THE HECKSCHER-OHLIN-SAMUELSON MODEL

Reading: Chapter 4; **Focus:** Gains to trade in the HOS model with 2countries/2outputs/1input, Stolper Samuelson theorem, foreign direct investment (FDI) vs. export

WEEK 4: BEYOND COMPARATIVE ADVANTAGE

Reading: Chapter 5; **Focus:** Intraindustry Trade, trade and geography, Industrial policy

WEEK 5: TRADE PROTECTION – TARIFFS AND QUOTAS

Reading: Chapter 6; **Focus:** Analysis of producer/consumer surplus and deadweight loss in with tariffs and quotas, large country case, non-tariff barriers, protection and retaliation, innovation, rent seeking

WEEK 6: TRADE PROTECTION (continued), COMMERCIAL POLICY

Reading: Chapter 7; **Focus:** Protection in the US, EU, and Japan, Justification for protection (labor, infant industry, national security, retaliation), antidumping and countervailing duties, safeguards, agricultural subsidies

WEEK 7: LABOR AND ENVIRONMENTAL STANDARDS

Reading: Chapter 8; **Focus:** Defining and harmonizing labor standards, child labor, ILO, Trans-boundary and non-Trans-boundary environmental impact, alternatives to trade measures

**** MIDTERM 1 WILL COVER CHAPTERS 1-8****

WEEK 8: INTRODUCTION TO INTERNATIONAL FINANCE – THE BALANCE OF PAYMENTS

Reading: Chapter 9; **Focus:** Current, financial, and capital accounts, Are CA deficits harmful? Odious debt

WEEK 9: EXCHANGE RATES

Reading: Chapter 10; **Focus:** Reasons for holding foreign currency, exchange rate risk, supply and demand with flexible rates, determinants of rate in short, medium, and long run, fixed-exchange rates, the real exchange rate, Bretton Woods, Conditions for adopting a single currency

WEEK 10: OPEN ECONOMY MACROECONOMICS

Reading: Chapter 11; **Focus:** Incorporating exchange rates and the current account into fiscal and monetary policy, Policies to correct CA deficit, adjustment

WEEKS 11 and 12: INTERNATIONAL FINANCIAL CRISES

Reading: Chapter 12; **Focus:** International financial crises caused by macro-imbalances and volatile capital flows, Mexican Peso crisis, Asian Financial crisis, moral hazard and financial sector regulation, capital controls, IMF policies

**** MIDTERM 2 WILL COVER CHAPTERS 9-12****

WEEKS 13: Latin American Trade Policy

Reading: Chapter 15; **Focus:** Import Substitution Industrialization, economic populism, 1980s debt crisis, “Washington Consensus”

WEEK 14: East Asian Trade Policy

Reading: Chapter 16; **Focus:** Role of physical and human capital, export-orientation, stable macro-policies

WEEK 15: The European Union

Reading: Chapters 14; **Focus:** EU institutions, the Euro, Central and Eastern European members