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Office hours: Tuesdays, 2-3:30; Wednesdays, 10:30-12:00 and 2:00-4:00.
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Course Objective
Economics 360 is a one semester introduction to international economics. It covers both the micro-side (trade and commercial policy) and the macro-side (balance of payments and exchange rates). In addition, we will look at several world regions and their roles in the world economy, as well as some of the history and institutional development of international economic relations. After taking this course, you will be able to:

- Explain the idea of comparative advantage;
- Discuss why nations trade;
- Relate the pros and cons of open capital markets;
- Describe the factors leading up to financial crises;
- Compare the economies of a wide variety of countries in several world regions.

Required text
*International Economics* by James Gerber. The book is available as a hardback at an obscene price—sorry, but I don’t have anything to do with the pricing strategy of the publisher. You can also buy it in electronic format for about half the hardcopy price—still a lot, but at least it is less.

Course format
This course meets once a week for nearly 3 hours. We will have a break in the middle of the period, but that is still a lot of hours. I expect that each class period will consist of lectures, video selection from *The Commanding Heights*, exploration of a website, and in-class activities and discussion.

Grading
Quizzes (each class): 20%
Each class I will ask a question based on the readings. You will have 5 minutes to answer. The purpose is to encourage you to do the readings. I may occasionally give two quizzes during one class meeting.

In-class presentation: 10%
Each class you will work in a team of 2-3 people to formulate an answer to one of the questions for discussion in the syllabus. Two or more groups will present their answers and lead a discussion. Over the course of the semester, each person must present their group’s response to a question.

Two short papers based on data found in a listed Website (see list on BB): 20%
I will post a writing guide on BB with my expectations. You will pick a Website (one of the 60 listed in the file on BB) and write a short paper (3-5 pages) which
includes at least one visual display of information (graph or table) created by you, along with an analysis of the data and a statement of its relevance to international economic relations. Please review the writing guide (on BB).

Midterm: 20%
The midterm and final are a mix of questions and answers; there may be multiple choice as well as essay. I suggest you study for them by answering the questions at the end of each chapter.

Final: 30%
The final is cumulative. The final will be held in the same classroom, on Tuesday, May 17, from 4pm to 6pm.
Course Outline


- Lecture: Globalization in historical perspective; trade and economic growth; institutions in the global economy.

- Technical concepts: Openness indicator; purchasing power parity.

- Website: The World Trade Organization (Trade Profiles and trade data).

- Questions for discussion: When did globalization begin? What are the positives and negatives of globalization? Do developing countries get a fair deal in the process of globalization? To what extent is globalization coercive and to what extent is it voluntary?

February 1. Class meeting 2. Chapters 3 and 4 and 5.

- Lecture: Trade models; comparative advantage and the Heckscher Ohlin Theorem; intra-industry trade; geography and trade; trade and industrial policy.

- Technical concepts: 2x2x2 models; absolute and comparative advantage; gains from trade; market failure.

- Websites: TradeStats Express; US Census (for trade classification systems); and World Bank (World Development Indicators).

- Questions for discussion: Can countries create comparative advantage? What determines comparative advantage? What happens if a country decides to pursue the development of an industry where it does not have a comparative advantage? How did South Korea and other countries go from producing and exporting low value added, labor intensive, products to automobiles, airplanes, and other high-tech items? How are goods classified in the international trade system?

February 8. Class meeting 3 cancelled.

I am teaching a short course in La Paz, Mexico, at the Universidad Autónoma de Baja California Sur so we will not meet. (This was scheduled before I knew I would be teaching Economics 360.) You should finish reading chapters 3, 4, and 5, and read Chapters 6 and 7 for next week. I will post an assignment on the BB site.

Short paper #1 due on February 15.

- Lecture: The theory and practice of tariffs and quotas; non-tariff measures; income distribution and resource allocation effects of trade barriers; arguments for and against trade protection.

- Technical concepts: Consumer and producer surplus; deadweight loss.

- Websites: OECD (agricultural subsidies); Bureau of Labor Statistics.

- Questions for discussion: Does trade with developing countries destroy jobs? Has outsourcing raised unemployment rates? Are trade barriers ever justified? Obama is relaxing US sanctions against Cuba; is this a good idea?


- Lecture: Trade and labor standards; trade and environmental standards; the race to the bottom and pollution havens; the environmental Kuznets curve; the opposition to trade based on fairness and equity arguments.

- Website: The International Labor Office.

- Questions for discussion: Does trade create inequality inside a country and/or between countries? Are trade sanctions an effective mechanism for addressing problems of child labor, environmental degradation, or harmful working conditions? How can trade be used in the interests of the environment and wage workers?


- Lecture: Balance of payments and the current account; looking at international balances in relation to financial crises; forms of capital flows.

- Technical concepts: Balance of payments; current and financial account; macroeconomic balances.

- Websites: US Census; IMF; World Bank (WDI).

- Questions for discussion: Why have savings rates been low in the US and what are the consequences? Some countries have large current account surpluses (China, oil exporters, Germany, Japan) and others have large deficits (US, UK); what is behind these patterns? China’s large export surplus results in a large inflow of foreign currencies (mostly dollars); what are the consequences for the Chinese economy? When does a current account deficit become dangerous?

- Lecture: Exchange rate systems; real and nominal exchange rates; pros and cons of adopting a single currency.

- Technical concepts: Real and nominal exchange rates; supply and demand for foreign exchange.

- Websites: Federal Reserve Board; IMF.

- Questions for discussion: Why is the euro area in turmoil? What is the prognosis for the euro? Will China renminbi become a reserve currency? What would be the implications for the US and the dollar? Are some exchange rate systems more prone to crisis than others?

March 15: Midterm on Chapters 1-10.


- Lectures: The lead up to financial crises; basic factors in the generation of a crisis; the international balances approach; consequences of crises; examples from Mexico, Asia, and the worldwide crisis of 2007-2009.

- Technical concepts: Fiscal and monetary policy.

- Websites: IMF (WEO).

- Questions for discussion: Is the crisis over? Did stimulus spending in the US help or hurt recovery? Is sovereign default a bad thing? Should capital flows be liberalized? How has the worldwide crisis changed our thinking about markets, globalization, and free trade?

Week of March 27-April 2: Spring break.


- Lectures: NAFTA today; the interests of Canada, Mexico and the US in signing an agreement; agricultural subsidies and agricultural reform; migration; the role of the border.

- Websites: Border data; Migration Information Center; Bureau of Transportation Statistics.

- Questions for discussion: Has NAFTA been beneficial to Mexico? To the US and Canada? Is Mexican migration to the US beneficial or harmful to the US? To Mexico? Does NAFTA need to be re-negotiated?
April 12. **Class meeting 11 cancelled.**

I will be in Guadalajara, Mexico, giving a set of lectures at ITESM, Campus Guadalajara, so we will not meet. (This was scheduled before I knew I would be teaching Economics 360.) You should begin reading the last 5 chapters which are each about a specific region. I will post an assignment on the BB site.

April 19: **Short paper #2 due.**

April 19. **Class meeting 12. Chapter 14.**

- Lecture: The structure and history of the European Union; the crisis in the euro area.
- Website: Official website of the EU (Europa).
- Questions for discussion: Is the euro a bad idea? Should the EU let Turkey in? What are the future directions for expansion, or is expansion done? Will the periphery default? What would happen to the EU and the euro? Why isn’t the euro on a par with the dollar as an international reserve currency?

April 26. **Class meeting 13. Chapter 15.**

- Lectures: Policy reform in Latin America; disappointing growth rates and the rise of the left; the role of populism; the Washington Consensus; the institutional challenge.
- Websites: World Governance Indicators; Transparency International
- Questions for discussion: Why did Latin America lead the world in the creation of regional trade blocs? Is the rise of the Left a challenge to traditional economics? To the US? What is the future of Hugo Chavez and Venezuela? Of Castro (Raul and Fidel) and Cuba?

May 3. **Class meeting 14. Chapter 16.**

- Lecture: The take-off of the High Performance Asian Economies (HPAE); institutional factors behind HPAE success; the shift from no trade agreements to many trade agreements; the role of government in HPAE success.
- Websites: Asian Development Bank; ASEAN; APEC.
- Questions for discussion: Can other countries duplicate the success of East Asia? Did the HPAE use open trade regimes? Is there an Asian trade-bloc? Did industrial policies play a major role or a minor role in HPAE success?

- Lecture: The roles of China and India in the world economy; China’s challenge to the established order; trade patterns and trade issues.


- Questions for discussion: Is China’s rise a threat to the US? Is China avoiding its responsibilities in the world economy as a major world economic power? Is India’s future similar to China’s? Is democracy a detriment to Indian success? Will China continue to grow as it has in the last 3 decades? For how long?

Final exam (cumulative): Tuesday, May 17, 4-6pm.