Economics 360: International Economic Problems

Syllabus - Summer 2013

Course: Economics 360  
Meeting Times: MTWTh 12:00 - 1:40PM  
Instructor: Dr. Hisham Foad  
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Office Hours: Monday and Wednesday 2:00-3:30PM  
Tuesday and Thursday 10:00-11:30AM  
*Other Times by Appointment

Overview

Econ 360 presents an introduction to key issues in international trade and finance. The course provides a non-technical analysis of international economics and will be taught using current events as a template. Although the course is designed for majors and non-majors alike, it is expected that you have some familiarity with the basic principles of economics learned in Economics 101 and 102.

The first section of the course focuses on international trade. We will discuss classical theories on international trade, identifying the sources of comparative advantage that drive trade. We augment this with a discussion of modern trade theory used to explain the high degree of “north-north” trade between developed nations. The reasons for and against free trade will be discussed as well as an analysis of the political economy behind protectionism. We will then examine some of the international institutions developed to promote free trade, both globally (WTO) and regionally (NAFTA and the EU for example).

The second section of the course deals with issues in international finance. In this section, we will discuss various theories on exchange rates, the implications of current account deficits on the macroeconomy, and examine the causes and consequences of labor and capital flows across borders. We will take a close look at the role of the IMF and the World Bank in the global economy, especially in the context of financial crises in East Asia and Latin America as well as the most recent financial crisis that originated in the United States, but quickly became a global crisis. We will discuss some of the reasons for and against the formation of currency unions such as the Euro Area as well as the implications of further international financial market integration.

In the third section of the course, we will closely examine several regional issues in international economics such as export-oriented growth in Asia, economic and financial market integration in North America and Europe, debt crises and other challenges facing Latin America, the determinants and sustainability of economic growth in China and India, and development issues for Africa.

Learning Outcomes

Success in this course will depend on your ability to master the following learning outcomes:

- Explain why countries trade with one another
• Analyze the gains from trade in the Ricardian and Factor Endowments models
• Contrast classical trade models with new trade theory based on imperfect competition and economies of scale.
• Compute the costs of protectionism
• Identify instances in which trade protection may be warranted
• Discuss the politics behind protectionism
• Discuss the impacts of international trade and investment on the environment
• Articulate the costs and benefits of adopting a single set of environmental and labor standards for all countries.
• Understand the role of the WTO and discuss why it has so many detractors
• Identify and discuss the merits of free trade organizations such as NAFTA and the EU
• Explain the reasons why the FTAA never materialized
• Analyze the roles played by the International Financial Institutions like the IMF and World Bank
• Assess the performance of these organizations in dealing with international development and financial crises
• Synthesize the arguments for and against increased use of microcredit lending in international development
• Know when and why we should be concerned with trade deficits
• Analyze the causes and consequences of the Asian financial crises of 1997
• Explain why the most recent financial crisis spread so rapidly across the world
• Evaluate the interest rate parity theory of exchange rate determination
• Assess purchasing power parity as a long run determinant of exchange rates
• Compare the arguments for adopting a fixed vs. a flexible exchange rate regime.
• Identify the costs and benefits of a single currency
• Discuss some of the challenges posed by enlarging the European Union
• Assess the short and long term consequences of the Greek debt bailout by the other countries in the Euro Area.
• Answer the question of whether or not a weak dollar is really such a bad thing
• Evaluate the costs and benefits of outsourcing and offshoring
• Compare the costs and benefits of using foreign direct and portfolio investment as an engine of development growth
• Examine the impact of immigration on both sending and receiving countries
• Explain why countries with abundant natural resources have generally had lower rates of economic growth than those lacking resources

As the semester moves forward, you should make a note of the outcomes you have achieved. We will periodically review them over the course and I encourage you to ask questions if you are having trouble with any of them.
Readings

The required textbook for this course is James Gerber, *International Economics*, 5th Edition. A lot of thought went into choosing this book and I believe it presents the material in a very accessible way. That being said, the price being charged in the SDSU bookstore is very high and I encourage you to check out cheaper alternatives online. Try abebooks.com for example. I will also regularly assign articles to augment the textbook readings. These articles will be posted to Blackboard.

Quizzes

There will be a quiz given at least once a week covering the course material up to that point. Each quiz will be fairly short, lasting no more than fifteen minutes and is designed to keep you up to date on the lectures. I'll announce each quiz in advance and will drop your lowest quiz grade. Regular attendance is the best way to do well on these quizzes.

Exams

There will be two closed book examinations. Each exam will only test you on material covered since the last exam. The exams are tentatively scheduled for the following dates:

- Exam 1    Monday, June 10th
- Exam 2    Wednesday, July 3rd ***may change!***

Country Project

Here is your chance to apply the tools learned in class and get some experience working with economic data. At the beginning of the course, you will choose a country to analyze throughout the rest of the session. To do this, you will turn in a series of guided 1-2 page reports on your country. Detailed instructions will accompany each assignment and I anticipate that there will be a total of five such assignments. There will be a strict one student per country policy enforced, so I encourage you to clear your choice of country with me (via email) as soon as possible. This should be a fun way to learn more about a country while improving your overall grade in the course.

Grading

Your grade will depend on three components: Exams, Quizzes, and the Country Reports. The following weights apply:

- Exams: 66% (22% each)
- Quizzes: 24%
- Country Project: 10%

Suppose a student got a 75 on Exam 1, an 83 on Exam 2, a 90 on Exam 3, averaged a score of 80 on their quizzes, and got a 95 on their country projects. This student’s grade would be calculated as:

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75 \times 0.22 + 83 \times 0.22 + 90 \times 0.22 + 80 \times 0.24 + 95 \times 0.10 = 83.26,
\]

just barely good enough for a B in the class.
Attendance

While attendance is not mandatory, it is highly recommended. Past experience indicates that there is a strong and positive correlation between attendance and exam scores. The lectures will cover some material not in the textbook, and you can save yourself a lot of time and frustration by showing up and paying attention in class. Furthermore, regular attendance will ensure that you do not miss any of the quizzes given in class.

I encourage you to ask questions and participate in class discussions. While I am happy to lecture for the full class period, you may find this format less appealing. Engaging in discussions and asking questions will not only liven up the class, but also help you comprehend economics as more than just graphs and numbers.

Blackboard

This course has a dedicated site on Blackboard to which I will post lecture notes, homework assignments, articles, and make announcements. It is your responsibility to regularly check the conference. You may also use it as a discussion forum outside of class and office hours. Please let me know as soon as possible if you have any trouble accessing the site.

Academic Integrity

I consider academic dishonesty to be a serious offense, and follow a zero tolerance policy in this regard. You can do very well in this course if you are willing to put in the work, and any benefit you may perceive from cheating is far outweighed by the penalty not only to your academic performance, but your personal integrity as well. I also ask that you be courteous to your fellow classmates and the class itself. Please arrive to class promptly and turn off your cell phones. Refrain from talking when your classmates or I have the floor. If you have a question or a point to make, raise your hand and I will call on you. I will not tolerate rudeness toward your classmates and anyone guilty of this will be asked to leave that class period.

If you need to leave class early, please let me know beforehand. I reserve the right to lower your grade if you are consistently showing up late to class or leaving early. In the past, I have had a problem with students showing up to class on the day of a quiz and leaving as soon as they have taken the quiz. Feedback from students in these courses has indicated that this practice has been a distraction to their learning. I ask that if you must leave class after a quiz, please sit by the door and leave as quietly as possible so as to not disturb your classmates. Finally, please read the SDSU Standards for Student Conduct: http://csrr.sdsu.edu/conduct1.html

Accommodating Disabilities

If you have or acquire any sort of disability that may require accommodation, feel free to discuss it with me at your convenience. If you want to find out what services are available on campus, contact Student Disability Services, Suite 3100, Calpulli Center, (619) 594-6473. http://go.sdsu.edu/student_affairs/sds/
### Tentative Course Outline ***Subject to Change***

#### Part I: International Trade
- Introduction [Chapter 1]
- The Ricardian Trade Model [Chapter 3]
- The Heckscher-Ohlin Trade Model [Chapter 4]
- The "Standard" Trade Model [Reading to be assigned]
- Economies of Scale [Chapter 5]
- The Consequences of Protectionism [Chapter 6]
- The Political Economy of Protectionism [Chapters 2 and 7]
- Trade and Labor Markets [Chapter 8]
- Trade and the Environment [Chapter 8]

#### Part II: International Finance
- The Balance of Payments [Chapter 9]
- The Supply and Demand for Foreign Exchange [Chapter 10]
- Interest Rate Parity and Purchasing Power Parity [Chapter 10]
- Fixed Exchange Rate Systems [Chapter 10]
- International Capital Flows [Chapter 12]
- Financial Crises [Chapter 12]

#### Part III: International Policy Issues
- North American Economic Integration [Chapter 13]
- The European Union and the Euro [Chapter 14]
- Populism in Latin America [Chapter 15]
- The Asian Miracle? [Chapter 16]
- The Return of China and India as Global Economic Powers [Chapter 17]
- Development Issues for Africa [Readings to be assigned]

#### Important Dates
- **May 22nd**: First day of classes
- **May 27th**: Memorial Day holiday, campus closed
- **May 31st**: Last day to add/drop summer session 1 classes
- **June 10th**: Exam I
- **July 3rd**: Exam II
Useful Links

blackboard.sdsu.edu
Check daily for announcements, lecture notes, assigned articles, and practice exams.

wps.aw.com/aw_gerber_inter econ_5
Companion website to the textbook. Useful reference material as well as online quizzes for each chapter

library.sdsu.edu/
SDSU Library. Good starting point to track down development information.

wsj.com
Wall St. Journal online. Some articles available without a subscription

www.ft.com
The Financial Times online. A bit more internationally focused (and further to the left politically) than the Wall St. Journal. Both are excellent sources of news.

rfe.org
Resources for Economists. Good starting place to find information about economics.

www.gapminder.org
Really interesting site that shows dynamic graphs relating key development variables

www.google.com/publicdata
Nice site bringing together several databases and some dynamic ways to display international data

nationmaster.com
Nice site to find basic information about a country and some cross-country comparisons

www.cia.gov/library/publications/the-world-factbook
The CIA Factbook. Another nice place to get detailed information about an individual country

fx.sauder.ubc.ca
Great website to collect exchange rate data and diagrams of this data.

data.worldbank.org
The World Bank’s data portal. Especially nice are the World Development Indicators, which have recently become available to everyone for free.

www.imf.org/external/country/index.htm
Link to the International Monetary Fund’s page for information about countries. Of particular interest are the Selected Issues reports and the Article IV consultations, which detail the key economic issues facing a country.

www.wto.org/english/tratop_e/dispu_e/dispu_e.htm
Link to the World Trade Organization’s Dispute Settlement Gateway. Lists cases in which a country (or group of countries!) accused another of violating WTO agreements on free trade. Some interesting cases, particularly those that blur the line between protectionism and safeguarding national standards.

pwt.econ.upenn.edu/php_site/pwt_index.php
Penn World Tables. Good source of macroeconomic data that is comparable across countries and time.