

UNIVERSITY OF COLORADO AT BOULDER

ECONOMICS 3403 INTERNATIONAL ECONOMICS AND POLICY SPRING, 2015
Tuesdays and Thursdays 12:30-1:45 pm; Hale 230

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Office: Economics 107
Hours: Tuesdays 4-5; Wednesdays 1-3; and by appointment

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Hours: Tuesdays and Thursdays 12-12 and 2-3

D2L site: <https://learn.colorado.edu/d2l/home/83193>

1. Introduction

Welcome to my class, where we will study the principles of international economics and policy. The world economy has become a vastly more interrelated and more complex phenomenon in recent decades. Growing international interdependence places serious economic pressures, both favorable and unfavorable, on individuals and nations at all levels of income and development. These are fascinating issues with which we should all be familiar.

In this course we undertake an in-depth study of the theories, policies, and institutions of international trade and finance. We have three basic objectives. The first is to build an analytical framework within which we can develop a logical approach to investigating international economics. The idea is for us to "think like economists," an approach that gives students both a sound basis for understanding the complexities of international commerce and the objectivity needed for assessing various policy proposals.

The second goal is to gain a fuller appreciation of the complicated economic interrelationships that link nations and peoples. Consider, for example, the important impacts the emergence of China as a major trader has on global labor markets. Similarly, contemplate claims that the growth of international trade damages the global environment and countries should not have to trade with other countries that tolerate abusive working conditions. For another issue, why do the economies of the European Union and Japan continue to stagnate? These are complex issues without easy answers, but it certainly helps to have a coherent framework for thinking about them.

The final objective is to use this opportunity to become better informed about the world surrounding us. For example, it is not enough just to know how trade barriers work. We should investigate also why such policies exist and how costly or beneficial they are.

No course can meet all these objectives fully. I have been studying and writing about the world economy for many years and have a good handle on its fundamental features, yet still I am sometimes overwhelmed by its complexity. Nevertheless, we can make a good start here in understanding the pieces of the international economy and how they fit together.

2. Course Structure

The course is designed for students who are not Economics majors. The prerequisites include Economics 2010 and 2020 and these requirements are enforced. Though it requires a limited background in economics, the course will be challenging. To work through both trade and finance in a reasonably comprehensive way we will need to study a large volume of materials.

There are two 75-minute class periods per week. Significant portions of five periods will be devoted to in-class discussion of current policy issues. To get you thinking and involved in those, I will place on the D2L site brief policy papers I will write outlining the issues involved in each subject (see the outline below). Reading these materials and attending the related class sessions are required activities and

questions about the papers will appear on examinations. There will also be five problem sets that will be required for you to work through in preparation for examinations. There will be two in-class midterm exams and a cumulative final exam, which will involve short-answer problems and brief essay questions, rather than multiple-choice questions. Some class time will be devoted to going over problem sets after they are graded.

The grading system is as follows:

1. Five graded problem sets. Each problem set is worth 6% of your grade, for a total of 30%.
2. Two 75-minute midterm exams. Each exam is worth 20% of your grade, for a total of 40%. You may miss one exam with a written medical excuse, but in such cases the other midterm and the final exam will be weighted more heavily to make up the difference.
3. One final exam, worth 30% of your grade.

The textbook is *International Economics*, 9th Edition (2013, Pearson Publishers) by Steven Husted and Michael Melvin. I chose this book because I think it has an excellent combination of analytical rigor and real-world policy examples. The book will be supplemented by lecture notes on international finance in order to help explain some of those concepts. Due to time constraints we will not cover the entire textbook. In cases where only parts of a chapter are assigned you will not be responsible for the remaining parts of the chapter. With one exception, chapter appendixes are not assigned. Finally, you would find it useful to keep up with international economic events by regularly reading a publication such as *The Economist*, *The Wall Street Journal*, *The New York Times*, or *The Financial Times*.

Problem sets, policy papers, and additional lecture notes will be placed on the D2L site in good order.

3. Class Schedule:

| Date | Subject | Readings |
|----------------|-----------------------------------------|-----------------|
| Jan. 13 | Introduction | Ch. 1 |
| Jan. 15 | General equilibrium of the economy | Ch. 2 |
| Jan. 20-22 | Classical trade model | Ch. 3 |
| Jan. 27 | Problem set 1 due | |
| Jan. 27-29 | Neoclassical (HO) trade model | Ch. 4 |
| Jan 29 | Go over problem set 1 | |
| Feb. 3 | Specific-factors model | Appendix 4.2 |
| Feb. 3 | Policy issue: Trade and wage inequality | Maskus, paper 1 |
| Feb. 5 | Problem set 2 due | |
| Feb. 5-10 | Newer trade theories | Ch. 5 |
| Feb. 10 | Policy issue: Firms and export behavior | Maskus, paper 2 |
| Feb. 10 | Go over problem set 2 | |
| Feb. 12- | | |

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| March 17 | Go over problem set 3 | |
| March 17-19 | Balance of payments | Ch. 11, notes |
| March 23-27 | Spring Break | |
| March 31 | Foreign exchange markets | Ch.12, notes |
| April 2 | Monetary systems | Ch. 13 |
| April 7 | Problem set 4 due | |
| April 7-9 | Exchange rate determination | Ch. 14-15, notes |
| April 9 | Go over problem set 4 | |
| April 14 | MIDTERM TWO | Covers Chs. 6-15 and papers 3 and 4 |
| April 16 | The current account | Ch. 16 |
| April 21-23 | International macroeconomics | Ch. 17 |
| April 28 | Problem set 5 due | |
| April 28 | Global banking and debt | Ch. 18 |
| April 28 | Policy: Exchange market crises | Maskus, paper 5 |
| April 30 | Go over problem set 5 and exam preparation | |
| May 4 | FINAL EXAM 4:30-7:00 pm, same classroom | Cumulative |

Students with Special Needs:

If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services in a timely manner so that your needs may be addressed. Disability Services determines accommodations based on documented disabilities. Contact: 303-492-8671; Center for Community Building, Room N200; or by email at: dsinfo@colorado.edu.

Religious Observances:

Campus policy regarding religious observances requires that faculty make every effort to reasonably and fairly deal with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. In this class, please let me know in a timely manner if one of the exam dates falls on a religious holiday you intend to observe and I will arrange for you to take a make-up. See policy details at: http://www.colorado.edu/policies/fac_relig.html