

UNIVERSITY OF COLORADO AT BOULDER

ECONOMICS 3403 INTERNATIONAL ECONOMICS AND POLICY SPRING, 2018

Course meets MWF: 1:00 – 1:50 pm; Ramaley N1B23

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Office: Economics 107

Hours: Tuesdays, 9-10; Wednesdays 3-5; and by appointment

TA: Danny Kurban

Office: ECON 309C

Hours: Tuesdays, 10-11 and 1-2, Thursdays 9-11; and by appointment

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 vastly more interrelated and complex 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, think about 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, how does a fiscal crisis in the European Union affect the US economy? 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 single 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 three 50-minute class periods per week. Portions of four 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 50-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. 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. 17	Introduction	Ch. 1
Jan. 19-22	General equilibrium of the economy	Ch. 2
Jan. 24-29	Classical trade model	Ch. 3
Jan. 31	Problem set 1 due, beginning of class	
Jan. 31- Feb. 9	Neoclassical (HO) trade model	Ch. 4
Feb. 7	Go over problem set 1	
Feb. 7	Policy issue: Trade and wage inequality	Maskus, paper 1
Feb. 9	Problem set 2 due, beginning of class	
Feb. 12-14	Alternative trade theories	Ch. 5
Feb. 14	Go over problem set 2	

Feb. 16	MIDTERM ONE	Covers Chs. 1-5 and paper 1
Feb. 19-23	Tariffs	Ch. 6
Feb. 26-Mar. 2	Nontariff barriers	Ch. 7
March 2	Policy Issue: Trade policy and growth	Maskus, paper 2
March 5-7	US trade policy and the WTO	Ch. 8
March 9-12	Free trade areas	Ch. 9
March 12	Problem set 3 due, beginning of class	
March 12-16	Trade, development and migration	Ch. 10, 210-215; 224-233
March 19	Go over problem set 3	
March 19	Policy: Multinational corporations	Maskus, paper 3
March 21-23	Balance of payments	Ch. 11, notes
March 26-30 Spring Break		
April 2	Balance of Payments, continued	Ch. 11, notes
April 2-6	Foreign exchange markets	Ch. 12, notes
April 9	Problem set 4 due, beginning of class	
April 9-11	Monetary and exchange systems	Ch. 13
April 13-16	Exchange rate determination	Ch. 14-15, notes
April 16	Go over problem set 4	
April 18	MIDTERM TWO	Covers 6-12 and papers 2-3
April 20	No Class	
April 23	Exchange rate determination, continued	Ch. 14-15, notes
April 25-30	International macroeconomics	Ch. 17
May 2	Problem set 5 due, beginning of class	
May 2	The Euro and financial crisis	Maskus notes
May 6	FINAL EXAM	Cumulative
	7:30-10:00 pm, same classroom	

University Policies

You should familiarize yourself with the following University of Colorado policies:

1. If you qualify for accommodations because of a disability, please submit to your professor a letter from Disability Services in a timely manner (for exam accommodations provide your letter at least one week prior to the exam) so that your needs can be addressed. Disability Services determines accommodations based on documented disabilities. Contact Disability Services at 303-492-8671 or by e-mail at dsinfo@colorado.edu. If you have a temporary medical condition or injury, see Temporary Medical Conditions: Injuries, Surgeries, and Illnesses guidelines under Quick Links at Disability Services website and discuss your needs with your professor.

2. Campus policy regarding religious observances requires that faculty make every effort to deal

reasonably and fairly with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. See full details at http://www.colorado.edu/policies/fac_relig.html

3. Students and faculty have responsibility for maintaining an appropriate learning environment. Those who fail to adhere to such behavioral standards may be subject to discipline. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of race, color, culture, religion, creed, politics, veteran status, sexual orientation, gender, gender identity and gender expression, age, disability, and nationalities. Class rosters are provided to the instructor with the student's legal name. I will honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records. See policies at <http://www.colorado.edu/policies/classbehavior.html>
[http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student code](http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code)

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5. All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council (honor@colorado.edu; 303-735-2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at <http://www.colorado.edu/policies/honor.html>
<http://honorcode.colorado.edu>