

Economics 3403 - International Economics and Policy  
Spring 2010 - MWF 9-9:50 – EDUC 220

Professor Robert McNown  
Office: Economics 109  
Telephone: 303-492-8295

Hours: Monday 10-12, Thursday 3:30-5  
Email: mcnownr@colorado.edu

Teaching Assistant:

Office: Economics  
Telephone:

Hours:  
Email:

This course addresses a wide range of issues in international economics, encompassing topics in both trade and finance. The course is designed for those not majoring in economics, but students are expected to have completed the prerequisites of Principles of Microeconomics and Principles of Macroeconomics, or a one-semester principles course. I find the material of this course to be as fascinating as it is important, and I hope you will too.

The theory of comparative advantage will be used to analyze trade patterns among nations, gains from trade, and the effects of trade on income distributions. We will also consider political and economic aspects of trade barriers, U.S. commercial policy, connections between trade and economic development, free trade agreements (FTAs) such as NAFTA, and the functioning of the World Trade Organization (WTO). FTAs, and WTO, and free trade in general have been subject to attack from various quarters: environmentalists, organized labor, human rights groups, and politicians concerned about US jobs. Most economists are strong supporters of free trade, only one of several reasons for our lack of popularity in policy circles. Let's see if we can reconcile the economists' position with the concerns of the opponents of free trade.

Because of the current global financial crisis, I find I want to spend more time on international finance than in previous international economics courses. We will certainly discuss other financial crises that have preceded this one, but only after laying the groundwork that enables a good understanding of the causes and consequences of international financial crises. These foundations include the essentials of balance of payments accounting, theories of balance of payments and exchange rate determination, domestic consequences of interdependence with world trade and financial markets, and the historical evolution of institutions of international finance (the gold standard, the Bretton Woods system, and the current mixture of fixed and flexible exchange rates). We will see that the United States, and the US dollar, occupy a very special position in world financial affairs, and this is both a blessing and a curse for the US and the rest of the world.

### **Assignments and Evaluation**

Seventy percent of your grade will be based on the three equally weighted examinations. Preceding each examination you will be given a problem set. These problem sets will be graded and each will count five percent towards your final grade. The questions on the problem sets will also provide practice for related questions on the exam, and these problems and other questions will be covered in review sessions scheduled prior to each exam. Another ten percent of your grade is based on an analytical essay, and class participation through clickers counts for the remaining five percent.

## Clickers

You should purchase an i-clicker from the bookstore if you do not already have one. Then you need to register your clicker for this course, following the instructions at

<http://www.colorado.edu/its/cuclickers/students/register.html>

Bring your clicker to class every day, and before class begins set your frequency according to the posted code for our room (BD). We will usually begin each class with a clicker question covering the reading, a current event in international economics, or the previous class. Discuss this question with your neighbors and submit your answer within the first few minutes of class.

My goals in using clickers are to promote active learning and to encourage you to reason through the analytical material in the course. For each clickers question one point is awarded for submitting an answer, and one additional point is given for the correct answer. To allow for a few missed classes or times you forget to bring your clicker, everyone is granted ten percent of the total clickers points for free. With this wiggle room on the clicker points, please do not request any additional waivers for missed classes, etc.

## Essays

For the essay assignment I will post an article on CULearn together with suggested points for discussion. Four articles will be posted throughout the semester and each student will write an essay on one of the four articles. In order to spread the workload throughout the term, you are required to submit your essay according to the schedule below. If anyone has a legitimate reason for changing their assigned article and due date, this can be arranged by contacting me within one day after the essay assignment is posted. Any reasonable request for a change in assignment will be granted – no worries. Essays will be due one week after the article is posted.

I have recently learned that some students do not know the rules of the game concerning plagiarism. With the accessibility of materials on the internet, it has become too easy to copy portions of text from various websites and splice them together with a few additional sentences and paragraphs. If proper acknowledgement is not given, with quotation marks surrounding all copied text, this is plagiarism and is unacceptable for academic work. **All verbatim passages copied from another source must be surrounded by quotation marks, with reference to the source. Any violations of this convention will lead to a score of zero on the essay assignment.**

Last name beginning with	Article posting date	Essay due date	general topic
M – R	10/1	10/8	International Trade Policy
S – Z	10/25	11/1	Trade and Economic Growth
A – F	11/8	11/15	Issues in International Finance
G - L	11/29	12/6	International Debt & Financial Crises

## Schedule and assignments

Text: Sawyer, W. and R. Sprinkle, International Economics, third edition (2009). Earlier editions are acceptable, but it is your responsibility to coordinate the pages in your edition with the assigned readings below. You can also purchase an e-textbook for 180 days at [www.coursesmart.com](http://www.coursesmart.com) (search for Sawyer) – either third or second editions. In addition to the reading assignments in the text, I have posted on our CULearn site readings related to the topics of the week. These will be discussed in class as time permits, and all readings will be fair game for the examinations.

Week	Topics	Readings	Events
8/23-8/27	Overview of international economics; recent trends towards globalization; why countries trade	chapters 1,2 “Who makes the Ipod?” “Multitasking”	
8/30-9/3	Absolute & comparative advantage; graphical analysis of gains from trade	chapter 3; Krugman (What you need to know...)	
9/6-9/10	Heckscher-Ohlin (factor proportions) model; effects of trade on income distribution (Is China driving our wages down to their level?)	chapter 4 (pp. 68-80); “iPhone supply chain”	9/6 Labor Day; 9/8 Prob. Set 1 posted
9/13-9/17	Intra-industry trade; global production networks; international migration & investment	Chapters 5 & 6 “profits before people”	9/15 Prob. set 1 due
9/20-9/24	Economic analysis of tariffs; welfare loss from tariffs; arguments for & against tariffs (should we pay \$200,000 to save a job?)	Chapter 7 (not on first exam) “free trade dogmas”	9/22 exam
9/27-10/1	Nontariff barriers; quotas; agricultural subsidies (agribusiness wins, African farmers lose)	Chapter 8; “Cultivating poverty”	10/1 essay 1 posted
10/4-10/8	Political and economic aspects of trade policy; US commercial policy; the GATT and WTO (Why is the WTO feared and hated?)	Chapter 9 “Who elected the WTO?”	10/8 essay 1 due; Prob set 2 posted
10/11-10/15	Customs unions and free trade agreements (NAFTA & the “giant sucking sound of lost American jobs” – Ross Perot)	Chapters 10 ; “Winners, losers in CAFTA”	10/15 Prob Set 2 due
10/18-10/22	trade & economic growth (did economists promote anti-growth policies?)	Chapter 11; “Grinding the poor”	10/22 exam

## International finance topics

10/25-10/29	Balance of payments & macroeconomic accounts: saving, investment, & the trade balance (Hey, it's a lot more interesting than it sounds)	chapter 12; MacKinnon – Macro identities...	10/25 essay 2 posted
11/1-11/5	Foreign exchange market; supply & demand analysis of exchange rates; Purchasing power parity (price levels and exchange rates)	Chapter 13 (pp. 298-307); chapters 14, 16; “Big Mac PPP”	11/1 essay 2 due
11/8-11/12	Aggregate demand & supply, exchange rates, total output & the trade balance (macroeconomics for open economies)	chapter 17	11/8 essay 3 posted
11/13-11/19	International monetary arrangements: gold standard, Bretton Woods system, and the current non-system (Why the US dollar is special)	chapter 20; “Gold Bug Variations” “Almighty dollar”	11/15 essay 3 due; prob set 3 posted; 11/19 prob set 3 due
11/29-12/3	Developing countries in the world of international finance; sovereign debt crises (“Don’t Cry for Us, Argentina”)	Chapter 21	11/29 essay 4 posted
12/6-12/10	Currency crises & financial crises in the modern era: “This Time is Different”	“Financial Folly” “Euro Crisis”	12/6 essay 4 due
12/13	Final exam 7:30 – 10:00 EDUC 220		

### Examinations and make-up policy.

During our final exam period there will be both a mandatory final exam and an optional final. The mandatory section will be comparable to the two previous midterm exams, covering the final third of the course, and designed to be completed within an hour and fifteen minutes. The optional part of the final is available to students wishing to make up a midterm exam, either because of an unsatisfactory performance on a midterm or because a midterm was missed **for any reason**. The optional final serves as the only opportunity for a make-up exam. The content of this optional final may cover any of the topics on the first two exams, but it will be designed to be completed within an hour and fifteen minutes. The score on the optional final will replace the lowest midterm exam score, but only if this results in an improvement of the overall grade.

## Syllabus Addendum

- (1) If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services before the fourth week of classes so that your needs be addressed. Disability Services determines accommodations based on documented disabilities. Contact: 303-492-8671, Willard 322, and [www.Colorado.EDU/disabilityservices](http://www.Colorado.EDU/disabilityservices)
- (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. In this class, you must inform the instructor of religious obligations two weeks in advance of a conflict.
- (3) Students and faculty each 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, culture, religion, politics, sexual orientation, gender, gender variance, and nationalities. Class rosters are provided to the instructor with the student's legal name. I will gladly 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> and at [http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student\\_code](http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code)
- (4) The University of Colorado at Boulder policy on Discrimination and Harassment, the University of Colorado policy on Sexual Harassment and the University of Colorado policy on Amorous Relationships apply to all students, staff and faculty. Any student, staff or faculty member who believes s/he has been the subject of discrimination or harassment based upon race, color, national origin, sex, age, disability, religion, sexual orientation, or veteran status should contact the Office of Discrimination and Harassment (ODH) at 303-492-2127 or the Office of Judicial Affairs at 303-492-5550. Information about the ODH, the above referenced policies and the campus resources available to assist individuals regarding discrimination or harassment can be obtained at <http://www.colorado.edu/odh>
- (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](mailto:honor@colorado.edu); 303-725-2273). 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> and at <http://www.colorado.edu/academics/honorcode/>