

Economics 3403 - International Economics and Policy
Spring 2012 - MWF 9-9:50 – EDUC 220

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Issues in international economics play a role in current discussions of economic policy and have important implications for employment, income distribution, economic growth, and the onset and recovery from the Great Recession. You may or may not hear this year's candidates for political office invoke principles of international economics in their arguments, but this course should help you to recognize and apply these principles to some important policy debates.

This course addresses a wide range of issues in international economics, encompassing 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. 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 is 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, the 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 recent global financial crises, I want to spend more time on international finance than in previous international economics courses. We will lay the groundwork for 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 through 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. Problem sets are due in class on the dates stated in the syllabus. Any problem set that is turned in late, but at the time of the next class

period, will be penalized 15 points. After that, problem sets will not be accepted, and there is no opportunity to make up a missed problem set. 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 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, following the instructions at <http://oit.colorado.edu/node/779>

If your clicker is not registered, then I cannot connect your name to your clicker ID number in order to give you credit for your clicker responses.

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 often 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. I will also not begin to record clicker answers during the first week, to allow everyone to get accustomed to this technology. 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 one or more articles on DesireToLearn together with suggested points for discussion. Four article assignments will be posted throughout the semester and each student will **write an essay on one of the four assignments**. 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 articles and due date, this can be arranged by contacting me within two days 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. Late essays are subject to the same penalties as the problem sets: 15 point penalty if submitted late but by the time of the next class period; no submissions after that grace period.

Last name beginning with	Article posting date	Essay due date	general topic
L – S	10/3	10/10	International Trade Policy
D – K	10/29	11/5	Trade and Economic Growth
A – C	11/7	11/16	Issues in International Finance
T - Z	12/3	12/10	International Debt & Financial Crises

I have recently learned that some students do not know the rules governing 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.**

To help you recognize and avoid plagiarism in your own essays, you are required to submit your essay to Turnitin.com and obtain an acceptable Originality Score before turning it in to me. Instructions in the use of Turnitin will be provided as part of the essay assignments.

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 (search for Sawyer) – either third or second editions. In addition to the reading assignments in the text, I have posted on our D2L 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
8/27-8/31	Current issues in international economics; why countries trade; Microeconomic tools	chapters 1,2 “Outsourcing” “Who makes the Ipod?”	
9/3-9/7	Absolute & comparative advantage; graphical analysis of gains from trade	chapter 3; “Comp Adv US v China” “Services exports”	9/3 Labor Day
9/10-9/14	Heckscher-Ohlin (factor proportions) model; effects of trade on income distribution (China trade & US wages)	chapter 4 (pp. 68-80); “iPhone supply chain”	9/12 Prob. Set 1 posted
9/17-9/21	Intra-industry trade; global production networks; international investment	Chapters 5 & 6 “Moving China up the Value Chain”	9/19 Prob. set 1 due
9/24-9/28	Tariffs; welfare loss from tariffs; pros & cons of tariffs (should we pay \$200,000 to save a job?)	Chapter 7 (not on first exam) “US tariffs on China’s solar panels”	9/26 exam 1
10/1-10/5	Nontariff barriers; quotas; agricultural subsidies (agribusiness wins, African farmers lose)	Chapter 8; “Cultivating poverty”	10/3 essay 1 posted
10/8-10/12	Political economy of trade policy; US commercial policy; the GATT and WTO (Why is the WTO feared and hated?)	Chapter 9 “Who elected the WTO?”	10/10 essay 1 due; 10/12 Prob set 2 posted
10/15-10/19	Customs unions and free trade agreements (NAFTA & the “giant sucking sound of lost American jobs” – Ross Perot)	Chapters 10 ; “Winners, losers in CAFTA”	10/19 Prob Set 2 due
10/22-10/26	trade & economic growth (did economists promote anti-growth policies?)	Chapter 11; “Grinding the poor”	10/26 exam 2

International finance topics

10/29-11/2	Balance of payments & macroeconomic accounts: saving, investment, & the trade balance (Hey, it's a lot more interesting than it sounds)	chapter 12; MacKinnon on "Exchange rates & global trade imbalances"	10/29 essay 2 posted
11/5-11/9	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 Index"	11/5 essay 2 due 11/7 essay 3 posted
11/12-11/16	International monetary arrangements: gold standard, Bretton Woods system, the current non-system, reserve currencies (Exorbitant privilege vs. original sin)	chapter 20; "Reserve currencies"	11/16 essay 3 due;
11/26-11/30	Developing countries in the world of international finance; sovereign debt crises ("Don't Cry for Us, Argentina")	Chapter 21 "Argentina vs. Greece"	11/26 prob set 3 posted;
12/3-12/7	Currency crises & financial crises in the modern era: "This Time is Different"	"Financial Folly" "Euro Crisis"	12/3 prob set 3 due; essay 4 posted;
12/10-12/14	The EU and euro crisis	"Breaking up the Euro Area"	12/10 essay 4 due
12/17	Final exam 1:30 - 4:00 p.m. 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.