

ECONOMICS 3403 INTERNATIONAL ECONOMICS AND POLICY
Fall, 2018 Course meets Tu-Th 12:30 – 1:45 pm; Clare 207

SYLLABUS

Keith Maskus; 303-492-7588, keith.maskus@colorado.edu

Office: Economics 107

Hours: Tuesdays, 3-5 PM; Wednesdays 9-11 AM; and by appointment

TA: Javier Andres Santiago; Javier.AndresSantiago@Colorado.EDU

Office: Economics 306

Hours: 2-3 PM Tuesdays and Thursdays; more to be scheduled near exam times.

D2L site: <https://learn.colorado.edu/d2l/home/253929>

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, and, to say the least, international economic issues have become front-page news recently. Growing international interdependence places serious economic pressures, both favorable and unfavorable, on individuals and nations at all levels of income and development. Governments struggle to manage these pressures through various policies. These are fascinating issues with which we should all be familiar.

In this course we study, at a basic level, the theories, policies, and institutions of international trade and finance. We have three primary objectives. The first is to build a logical framework for investigating international economics. The idea is to use that framework to help understand the complexities of international commerce and to assess various policy proposals objectively.

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 and the resulting political pressures. Similarly, think about claims that the growth of international trade damages the global environment and countries should use trade restrictions to address this problem. For another issue, how does tax reform in the United States affect exchange rates and what impacts does that have on other economies? These are complex issues without easy answers.

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.

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 international trade and finance in a reasonably comprehensive way we will need to study a large volume of materials.

2. Course Materials and Structure

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. I will also circulate discussion notes ahead of corresponding class periods. We will not attempt to cover the entire textbook in order to focus on primary issues. 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.

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*. One particularly useful and interesting source of commentary and analysis on current US trade policy is the blog “Trade Talks” assembled by the Peterson Institute for International Economics. You’ll find it at <https://piie.com/trade-talks>

Finally, I will make use of CU-Clickers in the class. If you don’t yet have a registered CU-clicker remote, please get one from the CU bookstore immediately and register it. The URL to register one is <https://oit.colorado.edu/tutorial/cuclickers-iclicker-remote-registration> The Clicker code for Clare 207 is AC.

There are two 75-minute class periods per week. Portions of three 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 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 four 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 final exam, which will involve short-answer problems and brief essay questions. Some class time will be devoted to going over problem sets.

The grading system is as follows:

1. Four graded problem sets. Each problem set is worth 5% of your grade, for a total of 20%.
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.
4. Mandatory attendance, worth 10% of your grade.

Please note that I have a policy to enforce attendance, which will be managed by your answering questions on the Clickers system in class. You may miss up to 3 classes in the term without informing me. Additional missed class time will require a medical certification or other valid university certification, such as athletic travel. If you miss more than 3 classes without my approval I will assign a zero to that 10% of the grade.

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

3. Class Schedule:

Date	Subject	Readings
Aug. 28	Introduction: globalization trends and effects	Ch. 1
Aug 30-Sep 4	Basic theory tools and general equilibrium	Ch. 2

Sep 4-11	Comparative advantage: classical model	Ch. 3
Sep 13	Problem set 1 due beginning of class	
Sep 13-20	Neoclassical (HO) trade model	Ch. 4
Sep 18	Go over problem set 1	
Sep 25	Policy issue: Trade, technology and inequality	Maskus, paper 1
Sep 27	Product variety, scale economies, and trade	Maskus class notes
Sep 27-Oct 4	Tariffs and trade wars	Ch. 6
Oct 9-11	Nontariff barriers and externalities	Ch. 7
Oct 11	Problem set 2 due beginning of class	
Oct 16	Go over problem set 2	
Oct 16	US trade policy and the WTO	Ch. 8
Oct 18	MIDTERM ONE	Covers Chs. 1-4, 6, paper 1 & notes
Oct 23	Free trade areas	Ch. 9
Oct 25-30	Labor migration	Ch. 10, 224-233
Oct 30	Policy issue: Economics of Immigration	Maskus, paper 2
Nov 1	Problem set 3 due beginning of class	
Nov 1	Go over problem set 3	
Nov 1	Multinational corporations and supply chains	Maskus notes
Nov 6	MIDTERM TWO	Covers Chs. 7-10, paper 2 & notes
Nov 8-15	Balance of payments and trade	Ch. 11
Nov 19-23	FALL BREAK	
Nov 27	Foreign exchange markets basics	Ch. 12
Nov 29-Dec 4	Fixed versus flexible exchange rates	Ch. 13
Dec 4	Policy issue: the Euro and financial crisis	Maskus, paper 3
Dec 6	Exchange rates as asset prices	Ch. 14
Dec 11-13	Purchasing power parity	Ch. 15, 298-302
Dec 13	Problem set 4 due beginning of class	
Dec 19	FINAL EXAM	Covers Chs. 6-15, papers 2-3 & notes
	4:30-7 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)

4. The University of Colorado Boulder (CU-Boulder) is committed to maintaining a positive learning, working, and living environment. CU-Boulder will not tolerate acts of discrimination or harassment based upon Protected Classes or related retaliation against or by any employee or student. For purposes of this CU-Boulder policy, "Protected Classes" refers to race, color, national origin, sex, pregnancy, age, disability, creed, religion, sexual orientation, gender identity, gender expression, veteran status, political affiliation or political philosophy. Individuals who believe they have been discriminated against should contact the Office of Discrimination and Harassment (ODH) at 303-492-2127 or the Office of Student Conduct (OSC) 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://hr.colorado.edu/dh/>

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>