

Economics 3403 - International Economics and Policy  
Spring 2009 - MWF 2-2:50 - HLMS 199

Professor Robert McNown

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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. 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, recent trade treaties such as NAFTA and CAFTA, and the latest trade negotiations of the World Trade Organization. Financial issues covered in the course include essentials of balance of payments accounting, theories of balance of payments and exchange rate determination, effects of international capital flows, domestic consequences of interdependence with world trade and financial markets, the role of the International Monetary Fund in contemporary international financial markets, and international financial crises.

### **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. 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. In case there is

not a single correct answer (maybe I just want your opinions on some current policy), every submitted answer counts two points.

### 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. Essays will be due one week after the article is posted.

Last name beginning with	Article posting date	Essay due date	general topic
L - P	2/13	2/20	International Trade Policy
Q - Z	2/23	3/2	International Trade Policy
A - D	4/6	4/13	Issues in International Finance
E - K	4/20	4/27	Issues in International Finance

### 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.

### Schedule and assignments

Text: Husted, Steven, and Michael Melvin, International Economics, seventh edition (2007). Earlier editions are acceptable, but it is your responsibility to coordinate the pages in your edition with the assigned readings below.

In addition to the reading assignments in the text, I will post on our CULearn site current 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. Each week before Monday's class, log on to CULearn and check the week's assignment and readings under the "Readings and Class Notes" module. You may also want to print out any notes posted there for that week's classes, especially graphs that we will work through in class.

week	Topics	Readings in text	Events
1/12 - 1/16	Overview of international economics; recent trends towards globalization; fundamental tools of analysis	chapters 1,2 (pages 1-45)	
1/19 - 1/23	Comparative advantage, classical trade theory, the Heckscher-Ohlin (HO) model, gains from trade; effects of trade on income distribution	chapters 3-4 (appendices excluded)	1/19 MLK holiday
1/26 - 1/30	HO model continued, gains from trade. and effects of trade on income distribution	chapter 4	
2/2 - 2/6	Tests and extensions of basic HO trade model	Chapter 5	2/6 prob. set 1 due
2/9 - 2/13	Economic analysis of tariffs; welfare loss from tariffs	Chapter 6	2/11 exam
2/16 - 2/20	Nontariff barriers; quotas and voluntary export restraints	Chapter 7	2/20 essay 1
2/23 - 2/27	Political and economic aspects of trade policy; US commercial policy; the GATT and WTO	Chapter 8	
3/2 - 3/6	Customs unions and free trade agreements; NAFTA, CAFTA, and the EU	Chapter 9	3/2 essay 2 due; 3/6 prob. set 2 due
3/9 - 3/13	Trade policy and economic growth, import substitution and export promotion strategies;	Chapter 10	3/13 exam
3/16 - 3/20	Exchange rate basics; balance of payments accounting; central bank intervention	chapters 11, 12; chapter 13 (pages 331-9 and 343-344 only)	
3/23 - 3/27	Spring Break		
3/30 - 4/3	Purchasing power parity (price levels and exchange rates); Interest parity (interest rates and exchange rates)	chapter 14; chapter 15 (Pages 369-373).	
4/6 - 4/10	Theories of the balance of payments and exchange rates, elasticities approach and the J-curve, absorption approach:	chapter 17 (pages 409-422 only)	
4/13 - 4/17	Alternative institutions of international finance; gold standard; fixed and flexible exchange rates; Bretton Woods; current monetary system	Chapter 19	4/13 essay 3 due
4/20 - 4/24	Currency crises; third world debt problems:	chapter 16; chapter 20 (pages 498-509)	4/22 Prob. set 3 due
4/27 - 5/1	Current world financial crisis: causes and prospects		4/27 essay 4 due
5/5	Final exam 1:30 - 4:00 HLMS 199		

## **Administrative Issues**

If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services (DS) early in the semester so that your needs may be addressed. DS determines accommodations based on documented disabilities (303-492-8671, Willard 322, [www.colorado.edu/sacs/disabilityservices](http://www.colorado.edu/sacs/disabilityservices)).

I shall make every effort to accommodate all students who, because of religious obligations, have conflicts with scheduled exams, assignments, or other required attendance, provided I am notified well in advance of the scheduled conflict. Please notify me at least two weeks in advance of the conflict to request special accommodation. The campus policy concerning religious observances can be viewed at <http://www.colorado.edu/policies/index.html>.

Students and faculty each have responsibility for maintaining an appropriate learning environment. Students who fail to adhere to such behavioral standards may be subject to discipline. Faculty have the professional responsibility to treat all students with understanding, dignity and respect, to guide classroom discussion and to set reasonable limits on the manner in which they and their students express opinions. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of race, culture, religion, politics, sexual orientation, gender variance, and nationalities. 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)

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). If you have any specific questions about what constitutes plagiarism with respect to the assignments in this course, please raise them with me. 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/>

The University of Colorado Policy on Sexual Harassment applies to all students, staff and faculty. Sexual harassment is unwelcome sexual attention. It can involve intimidation, threats, coercion, or promises or create an environment that is hostile or offensive. Harassment may occur between members of the same or opposite gender and between any combination of members in the campus community: students, faculty, staff, and administrators. Harassment can occur anywhere on campus, including the classroom, the workplace, or a residence hall. Any student, staff or faculty member who believes s/he has been sexually harassed should contact the Office of Sexual Harassment (OSH) at 303-492-2127 or the Office of Judicial Affairs at 303-492-5550. Information about the OSH and the campus resources available to assist individuals who believe they have been sexually harassed can be obtained at: <http://www.colorado.edu/sexualharassment/>