Syllabus –Summer 2007 ECON 3403-100 International Economics & Policy

Instructor:

Shuichiro Nishioka

I am a 5th year PhD student who comes from Tokyo Japan. After worked in public sector in Japan, I joined the PhD program in 2002. My field is International Trade. In particular, I am interested in empirical studies of international specialization: why the U.S imports textiles and exports airplanes? I am going to graduate in this summer and am going to be an assistant professor at the West Virginia University.

Office: Economics Room 206 (2nd floor in the Economics Building) Phone: (303) 492-2517 E-mail: snishioka@colorado.edu (The best way to get in touch with me)

Class Website:

http://ucsu.colorado.edu/~shuichir

Class Meeting Times: MTWRF 9:15-10:50 ECON 117

Office Hours:

Tuesday and Thursday 11:00 am-1:00 pm and by appointment

Course Objectives:

This course addresses a wide range of issues in international economics, encompassing topics in both trade and finance. The course is designed for those majoring in economics, and students are expected to have completed the introductory courses on microeconomics and macroeconomics. 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. In addition, the theory of Increasing Returns will be introduced to explain intra-industry trade, which accounts for large part of trade between developed countries. We will also consider political and economic aspects of trade barriers, U.S. commercial policy, recent trade treaties such as NAFTA, and the latest trade negotiations of the World Trade Organization (WTO). Financial issues covered in the course include theories of balance of payments, exchange rate determination, and effects of international capital flows.

Required Textbook:

Text: Husted, Steven, and Michael Melvin, International Economics, sixth edition (2004).

Grading:

Grades will be determined on the basis of your performance on 2 problem sets, 2 midterms, a group project, and a cumulative final exam. Preceding each midterm examination you will be given a problem set. These problem sets will be graded and each will count 5 percent towards your final grade.

The midterms will be administered on June 13 (Wednesday) and June 25 (Monday) in class. Each test is worth 20% of the course grade. The midterms are not cumulative and will cover only the material since the previous test. There is no make-up opportunity.

At the beginning of the semester, you are asked to form a group for the group project. Each group will choose a country (the United States, Canada, Australia, Germany, Japan, Brazil, and so on) and analyze the characteristics of exports and imports by using trade statistics. Long-term trends in trades, major trade partners, commodity trade structures, and main exporting products can be potential topics. At the end of semester (July 2 and 3), you will present your analysis.

The final exam is scheduled for <u>July 6 (Friday)</u> in class. The final exam is worth 30% of your grade and will consist of two parts. A "midterm" sized section will cover all of the material after second midterm and be worth 15% of your grade in the course. The rest of the final will cover material from the entire course. No make-up tests will be given for final unless you talk to the instructor in advance.

- 2 problem sets 5% each
- 2 Midterms 20% each
- Group-project 20%
- Final 30% (15% for materials after midterm 2, 15% semester-cumulative materials)

Final grading will be on a strait scale but I reserve the right to curve the grades.

100-93%	А	73-76%	С
90-92%	A-	70-72%	C-
87-89%	B+	67-69%	D+
83-86%	В	63-66%	D
80-82%	B-	60-62%	D-
77-79%	C+	below 60%	F

Tentative Course Schedule:

- 1. Fundamentals of International Trade Theory
 - A. Overview of Data on International Economics [chapter 1]
 - (1) Characteristics of national economics
 - (2) Direction of international trade (geographic pattern of trade)
 - (3) What good do countries trade?

+ World Trade Organization, International Trade Statistics

- B. Comparative Advantage
 - (1) Tools of Analysis for International Trade Models [chapter 2]
 - (2) Classical Model [chapter 3]
 - (3) The Heckscher-Ohlin (HO) Model [chapter 4]

- a. The Heckscher-Ohlin theorem
- b. The Rybczynski theorem
- c. The Stolper-Samuelson theorem
- (4) Tests of Classical and HO Models [chapter 5 p122-133]
- C. Intra-Industry Trade
 - (1) Increasing Return to Scale [chapter 5 p134-]
 - (2) "Increasing Returns, Monopolistic Competition, and International Trade" [Krugman P. 1979 Journal of International Economics 9 p469-79]

* Problem Set 1 Due (June 12, 2007)

- * Review for the MT I (June 12, 2007)
- * Midterm Examination I (June 13, 2007)
- 2. Trade Policy, Commercial Policy, and Preferential Trade Arrangements
 - A. Economic analysis of tariffs; welfare loss from tariffs [chapter 6] (DWL from imposing tariffs)
 - B. Non-tariff barriers and Arguments for Protection; quotas and VER [chapter 7] (DWL analyses comparing with tariff: Quota rent)
 - C. U.S. commercial policy and the World Trade Organization [chapter 8] (Conflicts between U.S. commercial policy and WTO rule: National Treatments)
 - D. Free Trade Agreements (FTA); NAFTA and the EU [chapter 9]
 ("Trade creation: expansion of total world trade " and "trade diversion: shifts from efficient to inefficient importing partners")
 - E. Trade policy and economic growth [chapter 10] (Import substitution and export promotion strategies)
 - * Problem Set 2 Due (June 22, 2007)
 - * Review for the MT II (June 22, 2007)
 - * Midterm Examination II (June 25, 2007)
- 3. Foreign Exchange Markets and the Balance of Payments.

A. Basics of balance of payments accounting [chapters 11&12]

- B. The foreign exchange market [chapter 13 p336-344 and p348-349] (Why can U.S. sustain trade deficit? A view of BOP approach)
- C. Purchasing power parity; price levels and exchange rates [chapter 14]
- D. Interest parity; interest rates and exchange rates [chapter 15 p376-380].
- * Group Project Presentations (July 2&3, 2007)
- * Review for the Final (July 5, 2007)
- * Final Examination (July 6, 2007)

Honor 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; 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/

Expectations of Classroom Behavior:

Students and faculty each have responsibility for maintaining an appropriate learning environment. Students who fail to adhere to behavioral standards may be subject to discipline. Faculty have the professional responsibility to treat students with understanding, dignity and respect, to guide classroom discussion and to set reasonable limits on the manner in which students express opinions.

See polices at <u>http://www.colorado.edu/policies/classbehavior.html</u> and at <u>http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code</u>

Absences:

Campus policy regarding religious observances requires that faculty make every effort to reasonably and fairly deal with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. Please notify me as soon as possible so that the proper arrangements can be made. Students can see full details at http://www.colorado.edu/policies/fac_relig.html

Disabilities Statement:

If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services in a timely manner so that your needs may be addressed. Disability Services determines accommodations based on documented disabilities. Contact: 303-492-8671, Willard 322, and <u>http://www.Colorado.EDU/disabilityservices</u>. Time extensions for exams must be approved prior to the exam. If you have not talked to me personally prior to the exam you will not be granted an extension.

Disability Services' letters for students with disabilities indicate legally mandated reasonable accommodations. Other letters/requests you may receive from agencies such as the Wardenburg Student Health Center, or other health providers (physicians or counselors) are not necessarily legal mandates. The syllabus statements and answers to Frequently Asked Questions can be found at <u>http://www.colorado.edu/disabilityservices</u>