ECN 360-W1, International Economics (3 credits)
Fall 2021

Instructor: Dr. Chris Douglas
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Phone: 517-980-2954 (personal cell phone)
Virtual Office Hours: Thursdays, 12:30pm-1:30pm or by appointment. See below.
Anticipated Response Time to Questions: Within 24 hrs, usually much sooner
Class Meeting Days/Times: online via Canvas without set meeting days/times (with the
exception of exams). See below.
Prerequisites: ECN 201 or ECN 202, or consent of instructor
Support Staff: Audrey Beauchesne (abeauche@umich.edu)

Course Description (from UM-Flint Catalog):
Conduct of trade between nations. Problems of the balance of trade and of payments. Trade
policies and their effects upon domestic and foreign economies. Development of agencies for
stimulating and financing international trade. *Graded ABCDE*

Course Overview:
Fewer topics stir up as much public policy debate as international trade. Everyone, including
presidents, senators, congressmen, governors, and ordinary citizens, has strong opinions
regarding it. Our goal is to understand the theory and impact of both free international trade, and
tariffs and quotas that restrict trade. We will also examine international finance, or exchange
rates, as goods and services that are bought and sold between countries (traded) must be paid for
(financed). Thus, both international trade and international finance are complementary
components of the global economy.

The course is organized as follows: Part 1 of the course examines international trade
(international microeconomics), covering chapters 1 – 7 and chapter 9 in the text. After a brief
introduction and review of some basic, but important, microeconomic principles, we will begin
building a general equilibrium model of a national economy. We will use this model to examine
why and how nations trade, and who does and does not benefit from trade. After examining these
questions, we will use the model to analyze the impact of trade regulations, from those that
restrict trade (tariffs, quotas, and other barriers) to those that promote trade (free-trade
agreements such as NAFTA).

Part 2 of the course examines international finance (international macroeconomics), covering
Chapters 11-15 of the text. With international finance, we will study how nations measure the
flow of goods, services, and financial assets, examine the foreign exchange market in detail, and
examine the relationship between exchange rates, prices, and interest rates.

Course Objectives:
- A student will be able to construct and understand a general equilibrium model for an economy in autarky (no-trade), open to trade in the classical framework, and open to trade in the Heckscher-Ohlin framework.
- A student will be able to utilize the above general equilibrium models to answer the questions of who gains from trade (and why), who loses (and why).
- A student will understand some famous tests of trade models and some alternate theories of comparative advantage.
- A student will be able to evaluate whether the gains exceed the losses when trade is restricted via tariffs, quotas, or some other sort of barrier.
- A student will understand the balance of payments system and think critically about whether a "trade deficit" is something to be concerned about.
- A student will understand basic concepts in international finance such as purchasing power parity, currency appreciation and depreciation, and interest rate parity.

Textbook:
The required text for this course is *International Economics* by Steven Husted and Michael Melvin, which is available in the UM-Flint Bookstore. Any edition of the textbook will work. The UM-Flint Bookstore has copies of the 8th edition available. Online retailers such as Amazon.com have extremely inexpensive used copies of the 8th edition available as well. The 7th edition of the textbook would work just fine too. Reading assignments are identical between the 7th and 8th editions. It is vital to keep up with the required readings!

Technology Requirements:
This course will require the use of Canvas (canvas.flint.umich.edu), email, as well as the video conferencing software Zoom for office hours and exam review (see below). You can set-up a free Zoom account at zoom.umich.edu.

Virtual Office Hours:
I will have an open Zoom meeting on Thursdays from 12:30pm-1:30pm for office hours. Just open Zoom and enter Meeting ID: 997 6144 4429. Join the meeting and enter the waiting room. If I am with a student, I will meet with you when we are finished. If I am not with a student, I will meet with you right away.

I am also teaching a class on-campus for the first time since the pandemic began. If you are on campus and would like to speak, feel free to come to my office in 220 French Hall. I am in my office before and after my class that meets at 11:00am-12:15pm on Tuesdays and Thursdays. Additionally, feel free to pop-in for office hours any time that I am in my office, even if it is not the designated office hour time. I am teaching both in-person and online this semester, so I plan on being on-campus most of the day on Tuesday and Thursday while working remotely on Monday, Wednesday, and Friday. Feel free to email me to set-up an office hour appointment as well for either in-person or on Zoom.

Finally, please feel free to email me questions. You will receive a response to your email within 24 hours, usually much sooner (within an hour or two).

Structure of Course:
If this class were meeting in-person, we would have fourteen weeks of classes of 75 minutes each class, with two class meetings per week.

What I will do for this online class is post video lectures on Canvas that you can download and watch at your convenience. The lectures will be posted in a standard .MP4 format, which can be viewed using the Windows Media Player as well as number of other media viewers. I will post one lecture each Tuesday and Thursday morning. My goal is to make each video lecture last about an hour (sometimes less) and no longer than an hour and-a-half, so time spent watching the videos approximates time spent in class.

Along with each video, I will post a set of notes in a .pdf file that you can download and use to follow along. I encourage you to print these notes before watching the video, so you can write your own notes in the margins and draw the graphs in the space provided. Drawing the graphs yourself is essential for learning the graphs and the theory behind them. Thus, I will leave blank spaces in the notes where the graphs go that you can fill-in. In case you do not have a printer, I will label each graph in the space above where it goes, so you can draw them on a separate piece of paper. Just include the label along with it, so you can match where it goes in the notes.

Canvas is organized in "modules." Lecture notes and videos can be downloaded in the "Modules" section. Modules also contain any handouts we discussed in that lecture.

Course Assessments and Grading Scale:
This class will have homework assignments, two midterm exams, and a non-cumulative final exam (really, just a third midterm). The schedule for the homework assignments and the exams is given in next section.

The objective of the homework is to ensure that you are following the course material and to give you practice working through some exercises prior to the exams. Homework will not be graded right or wrong. Instead, homework will be graded out of 3 possible points, with 3 points being awarded for a serious attempt at all the questions. Your lowest homework score will be dropped from your grade.

Homework will be posted in the "Assignments" section of Canvas and due a week after it is posted. Homework must be submitted electronically and can be emailed to me at ccdougla@umich.edu. A .pdf file is the easiest for me to open. You can write-out your homework by hand, and then use an app such as CamScanner (just search for it in the App Store or Google Play) to take a picture of it and save it as a .pdf. For multiple pages, select "batch mode", take pictures of all your pages, then select all the pages and combine them in a single .pdf file that can be emailed. I will send you the solutions to the assignment once I receive your assignment. Solutions will also be posted on Canvas after the due date. I strongly suggest you

review the solutions along with your copy of the assignment to see what you got right and wrong and contact me with any questions.

Exams will be on Canvas on the given exam dates. You will have two consecutive days find 90 minutes to take the exam. Exams will consist of three sections: a multiple-choice section, a short answer section, and a "file response" section. Short-answer questions will involve answering a question in a few sentences whereas the file response section will involve drawing a graph and uploading it to the exam.

Your final grade will be based on homework, two midterm exams, and a non-cumulative final exam. The weighting of your final grade is: homework: 10%, midterm #1: 30%, midterm #2: 30%; final: 30%. **Guarantees:** If you beat the class average on the final, the lowest grade you will get for the course is a C+. If you earn an uncurved A on the final exam (defined as earning at least 90% of the points possible), you will receive an A for the course.

The following scale will be used to assign grades: A: 90-100; A-: 86-89.9; B+: 82-85.9; B: 78-81.9; B-: 74-77.9; C+: 70-73.9; C: 66-69.9; C-: 62-65.9; D+: 58-61.9; D: 54-57.9; D-: 49-53.9; E: <49. Do not bank on a "curve." In fact, a curve is already built into the grading scale. In order to get the grade you desire, you should be sure to fall within the relevant range. You can track all your graded activities throughout the semester in the "Grades" section of Canvas.

Homework and Exam Dates:

Date	Activity	Due
Thu, Sep 9	Homework #1	Thu, Sep 16
Thu, Sep 16	Homework #2	Thu, Sep 23
Tue, Sep 28	Homework #3	Tue, Oct 5
Thu, Oct 7 or Fri, Oct 8	Midterm #1	Canvas
Thu, Oct 14	Homework #4	Thu, Oct 21
Tue, Oct 26	Homework #5	Tue, Nov 2
Thu, Nov 4 or Fri, Nov 5	Midterm #2	Canvas
Tue, Nov 30	Homework #6	Tue, Dec 7
Tue, Dec 7	Homework #7	Tue, Dec 14
Tue, Dec 14 or Wed, Dec. 15	Final Exam	Canvas

UM-Flint Statement on Academic Integrity:
"Intellectual integrity is the most fundamental value of an academic community. Students and faculty alike are expected to uphold the highest standards of honesty and integrity in their scholarship. No departure from the highest standards of intellectual integrity, whether by cheating, plagiarism, fabrication, falsification, or aiding and abetting dishonesty by another person, can be tolerated in a community of scholars. Such transgressions may result in action ranging from reduced grade or failure of a course, to expulsion from the University or revocation of degree."
(https://www.umflint.edu/sites/default/files/imported/cas/documents/AcademicIntegrity.pdf)

UM-Flint Disability Statement:
"The University of Michigan–Flint strives to make learning experiences as accessible as possible and complies with Section 504 of the Rehabilitation Act of 1973 and the American with Disabilities Act. The university provides individuals with disabilities reasonable accommodations to participate in educational programs, activities, and services. Students with disabilities requiring accommodations to participate in class activities or meet course requirements must self-identify with Disability and Accessibility Support Services as early as possible at (810) 762-3456 or dassflint@umich.edu. The office is located in 264 University Center, inside the CAPS Office. Once your eligibility for an accommodation has been determined you will be issued an Accommodation Letter. Please present this letter to each faculty member in each class at the beginning of the term, or at least two weeks prior to the need for the accommodation (test, project, etc.)."

Schedule of Topics:

Lecture #	Date	Topics	Reading
1	Tue, Aug 31	Introduction to the Course and Syllabus	
2	Thu, Sep 2	Introduction to International Economics	Chapter 1: all
3	Tue, Sep 7	Microeconomics Review I: Opportunity Cost, Production Possibilities Frontier	No text references
4	Thu, Sep 9	Microeconomics Review II: Indifference Curves, Budget Constraint, Optimal Consumer Choice	No text references
5	Tue, Sep 14	Closed Economy General Equilibrium Model I: setting up the model and assumptions behind it	Chapter 2: Beginning to "The Basic Model: Solutions"
6	Thu, Sep 16	Closed Economy General Equilibrium Model II: solving the model with constant and increasing opportunity costs National Demand and supply curves, autarky equilibrium.	Chapter 2: "The Basic Model: Solutions" to end of the chapter.
7	Tue, Sep 21	Classical Model of International Trade I: absolute advantage	Chapter 3: Beginning to "Comparative Advantage as a Basis for Trade: David Ricardo's Model"
8	Thu, Sep 23	Classical Model of International Trade II: comparative advantage	Chapter 3: "Comparative Advantage as a Basis for Trade: David Ricardo's Model" to "The

			Relationship between Trade and Wages"
9	Tue, Sep 28	Classical Model of International Trade III: gains from trade, limits to the relative wage ratio	Chapter 3: "The Relationship between Trade and Wages" to end of the chapter
10	Thu, Sep 30	The Heckscher-Ohlin (HO) Model 1: setting-up the model and the assumptions behind it	Chapter 4: Beginning of the chapter to "The HO Theorem"
	Tue, Oct 5	Review for midterm #1	Zoom, 3:30pm
	Thu, Oct 7 or Fri, Oct 8	**Midterm #1**	**Canvas**
11	Tue, Oct 12	Fall Break	
12	Thu, Oct 14	The HO Model II: The HO Theorem, equilibrium in the HO Model	Chapter 4: The HO Theorem" to "Some New HO Theorems"
13	Tue, Oct 19	The HO Model III: The Rybczynski Theorem, The Factor Price Equalization Theorem, The Stolper-Samuelson Theorem	Chapter 4: Some New HO Theorems" to end of the chapter
14	Thu, Oct 21	Tests of the Classical and HO Model	Chapter 5: Beginning of chapter to "Alternative Theories of Comparative Advantage"
15	Tue, Oct 26	More recent theories of comparative advantage	Chapter 5: "Alternative Theories of Comparative Advantage" to end of the chapter
16	Thu, Oct 28	Introduction to Commercial Policy: when does a small country import or export a good? Who gains, who loses?	Chapter 6: Beginning of Chapter to "The Welfare Costs of Tariffs"
17	Tue, Nov 2	Tariffs in a Small and in a Large Country, Effective Rate of Protection	Chapter 6: "The Welfare Costs of Tariffs" to end of the chapter
	Thu, Nov 4	Review for Midterm #2	Zoom, 3:30pm
	Tue, Nov 9 or Wed, Nov 10	**Midterm #2**	**Canvas**
18	Thu, Nov 11	Quotas	Chapter 7: Beginning of Chapter to "Other Nontariff Barriers"

19	Tue, Nov 16	Preferential Trade Agreements	Chapter 9: Beginning of chapter to "North American Free Trade Agreement"
20	Thu, Nov 18	Introduction to International Finance	Chapter 11: all
	Tue, Nov 23	Balance of Payments	Chapter 12: all
	Thu, Nov 25	**No lecture posted: Happy Thanksgiving!**	
21	Tue, Nov 30	Foreign Exchange Market	Chapter 13: all
22	Thu, Dec 2	Purchasing Power Parity	Chapter 14: all
23	Tue, Dec 7	Interest Rate Parity	Chapter 15: all
	Thu, Dec 9	Review for Final	Zoom, 3:30pm
	Tue, Dec 14 or Wed, Dec 15	**Final Exam**	**Canvas**

Exam Coverage:
- Midterm #1 will cover video lectures 2 – 9, and homework assignments 1 – 3.
- Midterm #2 will cover video lectures 10 – 16, and homework assignments 4 and 5.
- The Final will cover video lectures 17 – 23, and homework assignments 6 and 7.