

ECONOMICS 4350
INTERNATIONAL ECONOMICS
Spring 2012
12:05-1:25 TTh, IC 109

TIBOR BESEDES

Office: 321 Old CE

OFFICE HOURS: Thursdays 2:00–4:00 and by appointment

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Course Objectives:

This course examines microeconomic and macroeconomic aspects of international economics. About two thirds of the course will be devoted to examining the microeconomics aspect or international trade, while the remaining time will be devoted to the study of macroeconomic aspects or international finance.

We will develop a theoretical framework to understand international trade. We will examine the possibility of gains from trade, the nature of comparative advantage and the determination of the pattern of trade, and the role of scale economies, imperfect competition, and factor movements. We will examine trade policy, in particular the effects of protection (tariffs and non-tariff barriers). Our investigation of international finance will focus on the formation of exchange rates in both short- and long-run and implications of exchange rate policy for the whole economy.

At the end of the course you should have an understanding of international trade and finance which will allow you to analyze current issues in both areas discussed in popular media.

Specific Learning Objectives:

Knowledge:

- Understanding the basic explanations for why international trade takes place
- Working knowledge of the basic models of international trade – Ricardian, Heckscher and Ohlin, specific factors, and increasing returns to scale models
- Understanding of gains and losses resulting from international trade
- Working knowledge of why outsourcing takes place
- Understanding of trade policy tools under perfect and imperfect competition
- Working knowledge of international trade agreements
- Basic understanding of exchange rate formation and forecasting
- Basic understanding of monetary and exchange rate regimes and resulting implications for policy making flexibility
- Basic understanding of the balance of payments

Skills:

- Graphical and mathematical analysis
- Use of algebra to solve problems and models
- Problem solving methods as applied to international trade and international finance
- Ability to apply analytical tools to economic concepts and ideas
- Ability to analyze current affairs
- Critical thinking and logic

Perspectives:

- Appreciation for the extent of interdependency of countries
- Understanding of the workings of the global economy
- Appreciation for the costs and benefits of international trade and globalization

Textbook:

1. Feenstra, Robert C. and Alan M. Taylor, *International Economics*, 2nd ed., Worth Publishers, with Aplia. (*required*)
2. Yeaple, Stephen, *Study Guide for International Economics*, 2nd ed., Worth Publishers. (*optional*)

You can purchase the textbook in any format you want (in either of the bookstores, online, or the e-book at www.aplia.com).

However you decide to purchase the textbook, you **must** purchase access to Aplia.

Notes:

Aplia: All homework will be assigned and graded on Aplia's website. Instructions to register for Aplia are on the last page of the syllabus. Instructions include the course key which you will need to register for the course on Aplia.

T-Square: The main medium of communication will be T-Square. All course announcements, grades, exam solutions, and other information will be posted there.

Prerequisites:

Prerequisites are designed to protect you from taking courses that you are unprepared to successfully complete. You should follow the recommended prerequisites closely. The following courses are prerequisites for this course. You are expected to have mastered the material covered in these courses *before* taking this course.

Principles of Economics (ECON 2100 or ECON 2105 and ECON 2106)

Recommended Prerequisites:

While not required, you are strongly encouraged either to have taken Advanced Microeconomics (ECON 3110) or to familiarize yourself with the theory of consumer choice and the theory of the firm as covered in an advanced/intermediate microeconomics course. You should be well versed in indifference curves, budget lines, optimal choice, production function, isocosts, isoquants, cost minimization, and profit maximization. You can review this material in any standard intermediate microeconomics textbook, such as Varian's *Intermediate Microeconomics*, Perloff's *Microeconomics*, Pindyck and

Rubinfeld's *Microeconomics*, or Besanko and Braeutigam's *Microeconomics*. We shall review the necessary tools at the start of the semester.

Grading:

Grades will be based on two exams, a ***comprehensive*** final exam, and periodically assigned homework. The final exam will be given at the time scheduled by the Institute. If you have a conflict with another final, certain accommodation can be made. Please see me two weeks before the final exam if that is the case. ***There will be no make-up exams under any circumstances.*** An exam that is missed will be considered an F, unless you have been prevented from taking the exam by forces outside of your control. In such cases (illness, car accident, family emergencies, Institute functions) some form of documentation will have to be provided in order for you not to receive an F.

Each homework assignment consists of several problems, either mathematical in nature or will require you to analyze a problem and provide an answer/explanation applying the tools learned in the classroom. All homework will be announced, assigned, and, completed through Aplia. All homework due dates will also be announced on T-Square. It is ***your responsibility to check Aplia or T-Square for new homework assignments*** and to complete them by the due date. You can ask questions about homework in class, during office hours, or via email at any point before it is due. You will have at least a week to complete homework assignments. The lowest homework grade will be dropped.

Exams will consist of up to ten short answer problems. If your answer to an exam problem requires several steps and/or calculations, you need to show your work. An answer without shown work is not sufficient and you will not receive full credit.

There will be no special extra credit or extra work of any kind for the purpose of raising a grade during or after the course. This is to ensure that everybody has equal opportunities to earn their grade and that grades are based on work during the course. There are typically 10% extra credit points on each exam (on an exam worth 100 points, you can receive a maximum of 110).

The final grade is calculated as follows:

Homework	15%
Midterm Exam 1	25%
Midterm Exam 2	25%
Final Exam	35%

Each exam is graded on a curve with a C average. If the average on an exam is better than a C no curve will be applied.

Given that the final exam is cumulative, you will be rewarded if your grade on the final exam improves relative to the two midterm exams. Specifically, you will receive 10% of the relative improvement added to the final grade is calculated. As an example, suppose you received a 70 on the first midterm, a 90 on the second one, and a 90 on the final exam. Furthermore, suppose your homework average is 80. In that case, your final grade

would be $80*0.15+70*0.25+90*0.25+90*0.35=83.5$. Given you received a higher grade on the final relative to the first midterm, the bonus points you would receive would be $(90-70)*0.1=2$. These two points would make your final grade 85.5. Note that in this scenario there are no bonus points relative to the second midterm as that grade is the same as the final exam grade. In case your grade on the final exam is lower than either midterm exam grade, **no** points will be deducted. An excel spreadsheet with the formula to calculate your grade will be made available during the semester.

Final grades are determined using the standard scale:

- A – 90-100%
- B – 80-89.99%
- C – 70-79.99%
- D – 60-69.99%
- F – 0-59.99%

Final grades are **not** rounded up. Hence, 89.89 is a B **not** an A.

If you are taking this class pass or fail, a grade of C or higher is a passing grade. If you earn a D or an F, you will be given a failing grade for the course.

Exam dates are as follows:

- Exam 1 – Tuesday, February 7
- Exam 2 – Tuesday, March 13
- Final Exam – **Tuesday, May 1, 11:30 – 2:20**

Attendance:

While attendance will not be graded, I strongly encourage you to attend classes, as performance in the class is usually highly correlated with attendance.

Course Rules:

- It is considered common courtesy to include your name when sending me an email. Especially when your email contains a question.
- Please come to class on time. It is disrespectful and disruptive to me and everyone else if somebody strolls into class late.
- If you need to leave early, please inform me before the class begins.
- If you intend to or have a tendency to sleep, read newspapers, do crossword puzzles, check your email or portfolio, surf the net, or entertain yourself in other ways during lectures, **STAY AT HOME**. Such behavior is disruptive for everyone.
- Please **turn off** all electronic devices such as **cell phones, pagers, and beeping watches**.
- Laptop use. You are free to use a laptop or tablet pc for the purpose of **note taking only**, not for any other purpose. You should be warned that this class makes intensive use of graphs. If you are unable to quickly reproduce graphs on your computer you may fall behind during the lecture. In such a case, a laptop as a note taking tool is a disadvantage.

Students with disabilities:

Georgia Tech offers accommodations to students with disabilities. If you need a classroom accommodation, please make an appointment with the ADAPTS office (www.adapts.gatech.edu). If you have an accommodation letter from the ADAPTS office and require accommodations, please see me in my office during office hours or by setting up an appointment with me.

Academic Honesty:

Cheating is **unacceptable**. You are hereby reminded that you have pledged to uphold the honor code as follows:

Having read the Georgia Institute of Technology Academic Honor code, I understand and accept my responsibility as a member of the Georgia Tech community to uphold the Honor Code at all times. In addition, I understand my options for reporting honor violations as detailed in the code.

Should you be caught cheating in this class you will be prosecuted according to the honor code and policies and procedures established by the Honor Advisory Council. Should you have any questions about this do not hesitate to contact me.

Collaboration policy:

Homework - Since homework is a learning tool you are allowed and encouraged to work together with other students as long as you write up and turn in your own solutions.

Exams – Exams are given to evaluate your understanding and command of the material. They are an assessment tool. As such they must reflect your own knowledge, and not that of students sitting around you or things written on cheat sheet and other cheating tools. During the exam, mind your own work and do not look in other students' exams. Should you be found guilty of cheating on an exam you will be penalized. Exam is **not** a collaborative effort.

General Information and Disclaimers:

I plan to cover as much as possible during the course of this class. While I will mostly follow the textbook, I may add some material that is not contained in it. In that case, your lecture notes will contain all the relevant information that you will need on exams. If you are having trouble with the material you are strongly encouraged to come see me during office hours. I strongly encourage you to work on the problems assigned in class as well as others in the textbook and/or study guide. This will not only help you come exam time but also enable you to truly understand the material.

The course outline below is a provisional one and subject to change. The topics included on each exam will depend on how quickly we cover the material. Hence exams can include more or less material than what is stated below.

The syllabus is not subject to change, except for the course outline.

COURSE OUTLINE AND READING ASSIGNMENTS

January 10 – February 2

Trade in the Global Economy – Ch 1
The Ricardian Model – Ch 2
The Specific-Factors Model – Ch 3
The Heckscher-Ohlin Model – Ch 4
Movement of Resources – Ch 5

February 7

February 9 – March 8

Exam 1

Increasing Returns to Scale and Monopolistic
Competition – Ch 6
Offshoring – Ch 7
Tariffs and Quotas under Perfect Competition – Ch 8
Tariffs and Quotas under Imperfect Competition – Ch 9
International Agreements – Ch 11

March 13

March 25 – April 27

Exam 2

Foreign Exchange Market – Ch 13
Exchange Rates in the Long Run – Ch 14
Exchange Rates in the Short Run – Ch 15
National and International Accounts – Ch 16
The Balance of Payments II – Ch 18
Fixed vs Floating – Ch 19
The Euro – Ch 21
Topics in International Economics – Ch 22

May 1

Final exam

How to access your Aplia course

ECON 4350 - International Economics

Instructor: Tibor Besedes

Start Date: 01/09/2012

Course Key: NBAK-XD26-M63D

Registration

1. Connect to <http://www.aplia.com/>
2. **If you already have an account, sign in.** Go to your My Courses page, and click the *Enroll in a New Course* button.
If you don't have an account, click the *Create a New Account* button, and choose *Student Account*.
3. Enter your Course Key when prompted: **NBAK-XD26-M63D**. Continue to follow the on-screen instructions to access your course.

Payment

Online: Purchase access to your course (including the digital textbook) from the Aplia website.

Bookstore: Purchase access to Aplia from your bookstore. Check with the bookstore to find out what they offer for your course.

After paying, you will have the option to purchase a physical book at a discounted price. If you choose to pay later, you can use Aplia without paying until 11:59 PM on 01/29/2012.