

**American University
Department of Economics**

ECON 370-001
International Economics
Spring 2013

Ralph Sonenshine
Office: Kreeger G 06
Email: Sonenshi@American.edu
Office Hours: T F: 10:30- 12:45 pm
T, F: 4:00 -5:00 pm
and by appointment

-Syllabus-

1. COURSE OBJECTIVES

This course will cover the basic principles of international trade, trade policy, international capital mobility, globalized production, the balance of payments, exchange rate determination, open economy macroeconomics, and international financial economics. This class will focus on both policy tools and also analytical applications. You will quickly find that you will need to attend class regularly, complete the readings, ask questions during class, and complete the problem sets to do well in the class.

The two prerequisites for the class are two semesters of introductory economics (Econ 100 and 200). Please note: this course counts toward the Economics B.A., but not toward the International Track or B.S. degree. You must take the more advanced course, ECON 371 (trade) and ECON 372 (finance) instead. These courses have prerequisites of ECON 300 and ECON 301 (intermediate micro and macro). Also, note that no more than two of the three classes (ECON 370, 371, and 372) can be counted toward the general track. This course can also count toward a minor in Economics and the various majors in SIS and other schools, depending on their requirement. Please see your advisor or talk to the professor about which course sequence is right for you.

Class Website

A class website is on Blackboard. The website will contain this syllabus (and any updates), important readings, assignments, and copies of class presentations. The class website will also be used for sending e-mail messages to class participants. I will use Blackboard extensively. **You are responsible for accessing the class website and checking it (and your e-mail) for announcements, messages, and assignments.**

2. LEARNING OUTCOMES

After taking this course, you should be able to:

- a. Identify the causes of patterns in international trade, i.e., what determines why countries export and import particular types of goods and services.
- b. Identify the likely “winners” and “losers” from trade liberalization and explain how these relate to the politics of trade policy.
- c. Analyze the impact of trade policies, such as tariffs, on various interest groups, such as consumers and producers of the goods or owners of different factors of production.
- d. Explain how global production is organized by multinational enterprises, and what are the roles of “vertical integration” and “supply chains.”
- e. Gain a preliminary understanding of key theories in economic development
- f. Calculate a nation’s balance of payments and show how the balance of payments accounts relate to a nation’s macroeconomic indicators and performance.
- g. Explain how exchange rates are determined when they are flexible and how governments control them when they are managed or fixed.
- h. Analyze the causes and consequences of global trade imbalances and financial crises and policies for addressing them.

3. Books and Readings

The **required text** for the course are:

Kenneth A. Reinert, *Windows on the World Economy: An Introduction to International Economics*, Cambridge Press, 2012.

Additional required or optional readings will be made available through other means, such as library reserves and internet links (i.e., the Blackboard website, including E-reserves).

4. Work Requirements and Grading

There will be a midterm exam and a final exam; these **must** be taken at the regularly scheduled times. There is one required (short) policy essays for the trade section. In addition, there will be problem sets that will help you review for the exams. Finally, students will do a short presentation on the five papers that are assigned. These presentations will be structured as debates with teams of three or four debating the pros and cons the issues. You will sign up for one topic. All teams will make a power point presentation and submit a three page paper, as the evaluation for your grade. The weighting of the assignments will be as follows:

Problem Sets	20%
--------------	-----

Presentation/paper	10%
Midterm	25%
Policy Essay	10%
Final Exam	35%

****Be sure to plan your travel schedules so that you can take the exams at the regularly scheduled times (see below); exams will not be given at any other times.**

A handout will describe the requirements for the trade policy essay. You can pick from a list of topics on blackboard or from another subject of interest to you.

5. Class Schedule and Reading List

NOTES: Dates are *approximate*, and readings are *subject to change*. *Policy essays and presentations may require additional readings*. Readings not included in the assigned books will be posted on Blackboard, placed on reserve in the library, or made available in class. **B** refers to Blackboard content folder.

Dates	Topic	Readings
Part I. INTERNATIONAL TRADE AND PRODUCTION		
Jan. 15- 18	Introduction to International Economics Introduction to Trade policy	Reinert, ch. 1 Cohen et al. Ch 1,2 B
Jan 22-25	Supply-and-demand models of trade Comparative Advantage Models (Sign up for presentations)	Reinert, ch. 2, 3
Jan 29	Intra-Industry Trade	Reinert, ch. 4,
Feb 1-Feb 5	Heckscher-Ohlin, Stolper Samuelson, Specific Factors Problem set 1 due – Feb 5	Reinert, ch. 5 Cohen et al. Ch 3. B
Feb 8	Problem set 1 review Distributional Effects of Trade & Trade Politics	
Feb 12-15	Trade Policy (1 st presentation)	Reinert, ch. 6 Blecker, “US Steel Import Tariffs The politics of global trade” Optional: Cohen et al. Chapter 7 B
Feb 19-	Trade Agreements, Multilateral, Regional	Reinert, ch. 7-8

Feb 26	(Problem set 2 – Feb 22) NAFTA Presentations Feb 26	Optional: CBW, ch. 8, 12 Blecker, “The North American Economies After NAFTA” (2010) (presenters should review Blecker 2004 as well).
--------	--	--

Mar 1	Review of Problem set 2 <i>Essays on trade policy topics will be due on Mar 1.</i>
-------	---

Mar 5	Multinational enterprises	Reinert, ch. 9-11
-------	---------------------------	-------------------

Friday March 9 MIDTERM EXAM

Spring Break – March 10-March 17

Mar 19 -22	Globalization of Production	Reinert chs. 20-22
------------	-----------------------------	--------------------

Part II. INTERNATIONAL FINANCE AND OPEN ECONOMY MACRO

Mar 26	Balance of Payments, Open Economy Macro (incl. Appendices)	Reinert, ch. 13 & Class Handouts Handout
--------	--	--

Mar 29 - Apr 2	Exchange Rates and Foreign; Exchange Markets Exchange Rates Class PowerPoint Problem Set 3 due – April 2	Reinert, chs. 13-14 Pugel, chs. 17 (entire), Flexible 19 (pp. 443-459 only) B
----------------	---	---

Apr 5-9	The Value of the Dollar, the U.S. Trade Deficit, Presentation Trade Deficit Apr 12	CBW, ch. 4 B Blecker “Global Imbalances and the US Trade Deficit Preeg, “The U.S. Trade Deficit. B
---------	---	--

Apr 12-16	Fixed Exchange Rates Presentation – Chinese exchange rate Apr 16	Reinert, chs. 15, 16 Subramanian “Renminbi underevaluation B
-----------	--	--

Apr 19	Financial Crises & IMF Policies Problem set 4 – Apr 19	Reinert, chs. 16-17, Farga paper, IMF paper B
--------	---	---

Apr 23-30	Exchange Rate Regimes & Monetary Unions and World Bank Presentation – Euro Crisis Apr 26	Reinert, chs. 17-18, 23 Lane “European Debt Crisis” B Euro Crisis readings B
-----------	--	--

May 7 (2:35-5:05 PM) FINAL EXAM

6. AMERICAN UNIVERSITY HONOR PLEDGE

Standards of academic conduct are set forth in the University's Academic Integrity Code. By registering, you have acknowledged your awareness of the Academic Integrity Code. You should become familiar with your rights and responsibilities as defined by the Code. Violations for the Academic Integrity Code will not be treated lightly, and disciplinary actions will be taken should such violations occur. Please see me if you have any questions about the academic violations described in the Code in general or as they relate to particular requirements for this course.