

Economics 360: International Economic Problems

Syllabus - Spring 2011

Course	Economics 360	MW 2:00 - 3:15PM
Instructor	Dr. Hisham Foad	WC-201
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Office Hours	Monday 11:45-1:30 Tuesday 1:15-3:30 Thursday 12:00-1:00 *Other Times by Appointment	

Overview

Econ 360 presents an introduction to key issues in international trade and finance. The course provides a non-technical analysis of international economics and will be taught using current events as a template. Although the course is designed for majors and non-majors alike, it is expected that you have some familiarity with the basic principles of economics learned in Economics 101 and 102.

The first section of the course focuses on international trade. We will discuss classical theories on international trade, identifying the sources of comparative advantage that drive trade. We augment this with a discussion of the “new” trade theory used to explain the high degree of “north-north” trade between developed nations. The reasons for and against free trade will be discussed as well as an analysis of the political economy behind protectionism. We will then examine some of the international institutions developed to promote free trade, both globally (WTO) and regionally (NAFTA, the EU, and Mercosur for example).

The second section of the course deals with issues in international finance. In this section, we will discuss various theories on exchange rates, the implications of both current and capital account deficits on the macroeconomy, and examine the forces driving and consequences of flows of labor and capital across borders. We will take a close look at the role of the IMF and the World Bank in the global economy, especially in the context of financial crises in East Asia and Latin America as well as the most recent financial crisis that originated in the United States, but quickly became a global crisis. We will discuss some of the reasons for and against the formation of currency unions such as the eurozone as well as the implications of capital controls.

In the third section of the course, we will closely examine several regional issues in international economics such as export-oriented growth in Asia, economic and financial market integration in North America and Europe, debt crises and other challenges facing Latin America, and development issues for Africa.

Learning Outcomes

Success in this course will depend on your ability to master the following learning outcomes:

- Explain why countries trade with one another

- Identify instances in which trade protection may be warranted
- Discuss the politics behind protectionism
- Understand the role of the WTO and discuss why it has so many detractors
- Identify and discuss the merits of free trade organizations such as NAFTA and the EU
- Analyze the roles played by the International Financial Institutions like the IMF and World Bank
- Assess the performance of these organizations in dealing with international development and financial crises
- Synthesize the arguments for and against increased use of microcredit lending in international development
- Discuss the impacts of international trade and investment on the environment
- Articulate the costs and benefits of adopting a single set of environmental and labor standards for all countries.
- Know when and why we should be concerned with trade deficits
- Analyze the causes and consequences of the Asian financial crises of 1997
- Explain why the most recent financial crisis spread so rapidly across the world
- Discuss some of the challenges posed by enlarging the European Union
- Identify the costs and benefits of a single currency
- Assess the short and long term consequences of the Greek debt bailout by the other countries in the Euro Area.
- Answer the question of whether or not a weak dollar is really such a bad thing
- Evaluate the costs and benefits of outsourcing and offshoring
- Compare the costs and benefits of using foreign direct and portfolio investment as an engine of development growth
- Examine the impact of immigration on both sending and receiving countries
- Explain why countries with abundant natural resources have generally had lower rates of economic growth than those lacking resources

As the semester moves forward, you should make a note of the outcomes you have achieved. We will periodically review them over the course and I encourage you to ask questions if you are having trouble with any of them.

Readings

The required textbook for this course is James Gerber, *International Economics*, 5th Edition. A lot of thought went into choosing this book and I believe it presents the material in a very accessible way. That being said, it is not a cheap book and you are welcome to use the 4th edition of the book. You can also try to get by without the textbook (I will post lecture notes to blackboard), but I really don't recommend it. I will also regularly assign articles to augment the textbook readings. These articles will be posted to Blackboard.

News relevant to international economics appears in the press almost daily and it is important to keep up with current events as they pertain to the lectures. To encourage this, you will be required to keep a weekly “news journal” on Blackboard. Each student will either sign up for or be assigned to one of the following world regions: East Asia (excluding China), China, Central and South Asia (e.g. India), the Middle East and North Africa, Sub-Saharan Africa, Europe, North America, and Latin America. You will then be paired with another student in your region. Each week, one student per pair will be required to find an article in either the Financial Times or the Wall Street Journal from their region and post a brief summary to the Blackboard discussion board. The other student in the pair will then post at least two comments regarding the broader economic implications of the news in the article. The following week, the roles will be reversed. I will grade your posts based on how well you summarized the article’s key points and the relevance of the comments. I have discounted subscription forms for both publications or you may read the articles at the SDSU library. These news journals should be a fun way of keeping up with current events and are an easy way to improve your class grade.

Homework

I will regularly assign homework problems from the textbook, but these are strictly for your review. I will not collect the assignments, but since they will be a good indicator of what will be covered on the exams, it is in your interest to make use of them. Solutions will be posted to blackboard, but I encourage you to try the problems on your own first.

Quizzes

There will be a weekly quiz covering the lectures up to that week. Each quiz will be fairly short, lasting no more than fifteen minutes and is designed to keep you up to date on the course material. I’ll announce each quiz in advance and will drop your lowest quiz grade. Regular attendance is the best way to do well on these quizzes.

Exams

There will be three closed book examinations roughly corresponding to the three sections of the course (international trade, international finance, and current issues). Each exam will only test you on material covered since the last exam. The exams are tentatively scheduled for the following dates:

Exam 1	February 21st
Exam 2	March 23rd
Exam 3	May 18th (1-3PM)

Grading

Your grade will depend on three components: Exams, Quizzes, and your News Journal. The following weights apply:

Exams	60% (20% each)
Quizzes	25%
News Journal	15%

Suppose a student got a 75 on Exam 1, an 83 on Exam 2, a 90 on Exam 3, averaged a score of 80 on their quizzes, and had a 95 average on their news journal. This student’s grade would be calculated as:

$75 * 0.2 + 83 * 0.2 + 90 * 0.2 + 80 * 0.25 + 95 * 0.15 = 83.85$, good enough for a B in the class.

Attendance

While attendance is not mandatory, it is highly recommended. Past experience indicates that there is a strong and positive correlation between attendance and exam scores. The lectures will cover some material not in the textbook, and you can save yourself a lot of time and frustration by showing up and paying attention in class. Furthermore, regular attendance will ensure that you do not miss any of the quizzes given in class.

I encourage you to ask questions and participate in class discussions. While I am happy to lecture for the full class period, you may find this format less appealing. Engaging in discussions and asking questions will not only liven up the class, but also help you comprehend economics as more than just graphs and numbers.

Blackboard

This course has a dedicated site on Blackboard to which I will post lecture notes, homework assignments, articles, and make announcements. It is your responsibility to regularly check the conference. You may also use it as a discussion forum outside of class and office hours. Please let me know as soon as possible if you have any trouble accessing the site.

Academic Integrity

I consider academic dishonesty to be a serious offense, and follow a zero tolerance policy in this regard. You can do very well in this course if you are willing to put in the work, and any benefit you may perceive from cheating is far outweighed by the penalty not only to your academic performance, but your personal integrity as well. I also ask that you be courteous to your fellow classmates and the class itself. Please arrive to class promptly and turn off your cell phones. Refrain from talking when your classmates or I have the floor. If you have a question or a point to make, raise your hand and I will call on you. I will not tolerate rudeness toward your classmates and anyone guilty of this will be asked to leave that class period.

If you need to leave class early, please let me know beforehand. I reserve the right to lower your grade if you are consistently showing up late to class or leaving early. In the past, I have had a problem with students showing up to class on the day of a quiz and leaving as soon as they have taken the quiz. Feedback from students in these courses has indicated that this practice has been a distraction to their learning. As a result, I do require you to stay for the entire class period on days in which we have a quiz. If you know that you must leave a class early, tell me beforehand. Otherwise, anyone who leaves class early on the day of a quiz will receive a zero for that quiz. You may leave an exam when you are finished with it (just not quizzes.) I ask that all students familiarize themselves with the SDSU Standards for Student Conduct: <http://csr.sdsu.edu/conduct1.html>

Accommodating Disabilities

If you have or acquire any sort of disability that may require accommodation, feel free to discuss it with me at your convenience. If you want to find out what services are available on campus, contact Student Disability Services, Suite 3100, Calpulli Center, (619) 594-6473.

Tentative Course Outline ***Subject to Change***

Part I: International Trade

A. Introduction	Chapter 1
B. The Ricardian Trade Model	Chapter 3
C. The Heckscher-Ohlin Trade Model	Chapter 4
D. The "Standard" Trade Model	Reading to be assigned
E. Economies of Scale	Chapter 5
F. The Consequences of Protectionism	Chapter 6
G. The Political Economy of Protectionism	Chapters 2 and 7
H. Trade and Labor Markets	Chapter 8
I. Trade and the Environment	Chapter 8

Part II: International Finance

A. The Balance of Payments	Chapter 9
B. The Supply and Demand for Foreign Exchange	Chapter 10
C. Interest Rate Parity and Purchasing Power Parity	Chapter 10
D. Fixed Exchange Rate Systems	Chapter 10
E. International Capital Flows	Chapter 12
F. Financial Crises	Chapter 12

Part III: International Policy Issues

A. North American Economic Integration	Chapter 13
B. The European Union and the Euro	Chapter 14
C. Populism in Latin America	Chapter 15
D. The Asian Miracle?	Chapter 16
E. The Return of China and India as Global Economic Powers	Chapter 17
F. Development Issues for Africa	Reading to be assigned

Important Dates

February 1st	Last day to drop classes (11:59PM deadline)
February 3rd	Last day to add classes (11:59PM deadline)
February 8th	Last day to apply for May 11th graduation
February 21st	Exam I
March 23rd	Exam II
March 28th - April 1st	Spring Break
April 2nd	Last day to officially withdraw from the semester
May 9th	Last day of class
May 18th	Exam III (1:00-3:00PM)

Useful Links

blackboard.sdsu.edu

Check daily for announcements, lecture notes, assigned articles, and practice exams.

wps.aw.com/aw_gerber_interecon_5

Companion website to the textbook. Useful reference material as well as online quizzes for each chapter

infodome.sdsu.edu

SDSU Library. Good starting point to track down development information.

wsj.com

Wall St. Journal online. Some articles available without a subscription

www.ft.com

The Financial Times online. A bit more internationally focused (and further to the left politically) than the Wall St. Journal. Both are excellent sources of news.

rfe.org

Resources for Economists. Good starting place to find information about economics.

nationmaster.com

Nice site to find basic information about a country and some cross-country comparisons

www.cia.gov/library/publications/the-world-factbook

The CIA Factbook. Another nice place to get detailed information about an individual country

fx.sauder.ubc.ca

Great website to collect exchange rate data and diagrams of this data.

data.worldbank.org

The World Bank's data portal. Especially nice are the World Development Indicators, which have recently become available to everyone for free.

www.imf.org/external/country/index.htm

Link to the International Monetary Fund's page for information about countries. Of particular interest are the Selected Issues reports and the Article IV consultations, which detail the key economic issues facing a country.

www.wto.org/english/tratop_e/dispu_e/dispu_e.htm

Link to the World Trade Organization's Dispute Settlement Gateway. Lists cases in which a country (or group of countries!) accused another of violating WTO agreements on free trade. Some interesting cases, particularly those that blur the line between protectionism and safeguarding national standards.

pwt.econ.upenn.edu/php_site/pwt_index.php

Penn World Tables. Good source of macroeconomic data that is comparable across countries and time.