

**Class Meeting:** MWF 2:45-3:50pm; MI 208

**Instructor:** Dr. Scott Hegerty

**Office:** Campbell 202

**Office Hours:** MWF 10-11am and by appointment (MWF)

**E-mail:** hegertys@beloit.edu

**Description:** International trade and financial issues continue to make headlines, influence political decisions, and affect people's everyday lives. This class approaches international economics at a level that is useful for students in such fields as business, international relations, political science or history, as well as others who wish to study such an important topic systematically.

The course is divided into two roughly equal parts: International Trade, which covers the movement of "real" goods and factors of production, and International Finance, which involves monetary and financial transactions. Trade topics include why countries trade and how they benefit, trade barriers, and trade policy; financial topics include exchange rates, capital flows, and macroeconomic policy.

While the focus of the course is on policy applications, mathematical and analytical tools will still be at the core of the class. The goal is to enhance students' understanding of pertinent issues, however, rather than on the tools themselves.

**Prerequisites:** ECON 199 (Principles of Economics).

**Text:** The main text will be Robert C. Feenstra and Alan M. Taylor, *International Economics*, Worth Publishers 2008. Thrifty students might wish to purchase only the first half, sold separately as *International Trade*. For the macro section of the course, lecture notes and additional readings will be placed on reserve. In addition, students might be interested in *International Economics: A Policy Approach* (any recent edition) by Mordechai Kreinin.

**Grading:** Grading will be according to the following system. A total of 150 possible points will be assigned, broken down as follows:

Midterm	25 points
Final Exam	25 points
Homeworks (6)	5 points each, 30 points total
Quizzes (4)	5 points each, 20 points total
Short papers (2)	25 points each, 50 points total

Any specific breakdown (such as how many points is a B) depends on the students' overall performance and will be explained in class.

**Quizzes** will be given randomly, so students should be prepared at all times. If more than 4 are given, only your top 4 will be counted. Homework may not be announced in advance, but students will have at least five days to complete an assignment once it is handed out.

**Discussions:** Approximately once per week, we will discuss a relevant opinion piece or news article. Participation will count toward your quiz grade.

**Papers:** Students will be expected to write two short papers throughout the semester. Each should be 5-7 pages long, double-spaced and correctly formatted, excluding graphs and bibliography. One must be related to international trade and the other to international finance. Each should be an analysis of a relevant issue (to the U.S. or to any country), to be chosen by the student in consultation with the instructor, and incorporating the analyses covered in class. Academic honesty is ESSENTIAL and will be discussed in class. Due dates are given below.

### **Disability Services:**

If you have a disability and would like to speak to someone about possible accommodations, please visit the Learning Enrichment and Disability Services office located on the second floor of Pearsons. You will need to provide appropriate documentation of your disability to the Director of the Learning Enrichment and Disability Services Office. If you wish to receive accommodations in this class, you must have an Accommodation Verification Letter from the Director, dated for this semester, as soon as possible so your learning needs may be appropriately met.

### **Attendance:**

Economics is about choices—and whether to attend is one of them. Choices have costs involved, however; in this case, missed homeworks and quizzes, and poorer test performance. While missed classes do not directly enter into your final grade, please bear these costs in mind if you choose to miss class without a valid excuse. If you do, do not expect the instructor to repeat your missed lecture the next time you choose to attend, or during office hours.

Missed tests or paper deadlines require valid excuses as well—the deadlines are strict, so plan ahead now. Make-up tests will NOT be given. If you have a valid excuse (religious observation, or documented illness or bereavement), I will adjust your grade based on your other tests. You do need proof, though.

### **Course Outline (Tentative):**

Wednesday, January 21: First day of class

#### ***International Trade:***

1. *Micro Review:* Supply and Demand, Opportunity Cost, and PPFs
2. *Models:* Ricardian (Feenstra Ch. 2), Specific-Factors (Ch. 3), Heckscher-Ohlin (Ch. 4), the Gravity Model and Increasing Returns (Ch. 6)
3. *Policy:* Tariffs and Quotas (Ch. 8, 10); Trade Policy in Developed and Developing Countries (Ch. 11)  
*Reserve* Rivoli, Pietra (2005) *The Travels of a T-Shirt in the Global Economy: An Economist Reading: Examines the Markets, Power, and Politics of World Trade*

Friday, March 6 Midterm Exam (Trade)

MIDTERM BREAK

Monday, March 16 Class resumes; Paper #1 due

#### ***International Finance:***

0. Macro Review: Policy Objectives and the AS-AD Model
1. Macroeconomic Transmission and Means of Adjustment
2. Exchange-Rate Determination in the Long- and Short-Run
3. Exchange-Rate Regimes and the International System
4. Capital Flows and the Current Account
5. Fiscal and Monetary Policy in an Open Economy
6. Issues: Currency Areas; The Role of the United States and the Current Situation

*Reserve* Bernanke, *Monetary Policy in a World of Mobile Capital*

*Readings:* Prasad et al., *Foreign Capital and Economic Growth*  
Edwards, *Is the U.S. Current Account Deficit Sustainable?*  
Obstfeld and Rogoff, *Global Current Account Deficits and Exchange Rate Adjustments*  
Corden: *Those Current Account Imbalances: A Sceptical View*  
European Central Bank: *The International Role of the Euro* (2008)  
Rodrik: *How Far Will International Economic Integration Go?*

Wednesday, April 22: NO CLASS

Wednesday, May 6: Paper #2 due; last day of class

Tuesday, May 12: Final Exam (Finance) 2-5pm