

UNIVERSITY OF NORTH CAROLINA
DEPARTMENT OF ECONOMICS
ECON 460-001: INTERNATIONAL ECONOMICS
SUMMER II 2013
MTWRF 9:45 AM – 11:15 AM, GA 307

Instructor: Rita A. Balaban **Phone:** 919-843-8823 (W)
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Office Hours: Mondays and Wednesdays (2:00 PM – 3:00 PM)
Tuesdays and Thursdays (11:15 AM – 12:15PM)
If you are unable to make these meeting times, then an appointment can be set up at the convenience of both parties.
Website: <http://sakai.unc.edu>
Prerequisites: ECON 410

Course Objectives: By the end of this course you should be able to:

- Determine the pattern of trade between countries under various assumptions.
- Evaluate the welfare effects of trade and understand why certain groups support free trade while others do not.
- Analyze the impact that the movement of labor and capital between countries has on a nation's factor prices and its production possibilities in the short- and long-run.
- Discuss the history of some important pieces of U.S. trade policy.
- Evaluate the impact that international trade policy has on our country, our trading partners, and their respective citizens.
- Explain the economic reasoning for the existence of multilateral trade agreements and the purpose of the WTO.
- Differentiate between the different types of regional trade agreements and evaluate their impact on national welfare.
- Debate the pros and cons of international agreements on labor and the environment.
- Understand the fundamentals of the foreign exchange market, and the short- and long-run theories on exchange rate determination.
- Explain how the balance of payments accounts are constructed and interpret the meaning of a current account surplus/deficit.
- Explain how a country's external wealth is calculated and three reasons why it can change.
- Analyze the short-run effect that domestic and/or international shocks have on a nation's key macroeconomic variables and the government's ability to offset these shocks through changes in policy.
- Discuss the benefits and costs of a fixed exchange rate system relative to a flexible exchange rate system.

Required Materials:

- Feenstra, Robert C. and Alan M. Taylor. Essentials of International Economics, 2nd edition, Worth Publishers, 2012.
- Basic calculator (~ \$1). There is no need for a programmable, scientific, financial, or graphical calculator for this class. Only a basic calculator - similar to the one pictured on Sakai under "Course Materials" - is permitted for use on exams. If you want to know if your calculator is acceptable, then please do not hesitate to ask me.

Recommended Materials:

- A list of recommended websites, newspapers, and magazines is provided on Sakai.

Course Requirements: This course is designed to be very rigorous and demanding. You are expected to work hard, actively participate, ask questions when you have any doubts, and perform to the very best of your ability. Still, the purpose of this course is to teach you something about international economics, not to destroy your GPA.

The grading breakdown follows: (percentage of final grade)

Midterm #1 (June 28th @ 9:45am)	25%
Midterm #2 (July 11th @ 9:45am)	25%
Writing Assignments (5 total)	15%
Cumulative Final Exam (July 25th at 8:00am)	35%

Exam Format: Each exam will cover material presented in class, as well as readings and assignments scheduled outside of class. The exam format will be provided in the class prior to a given exam. You should bring your UNC ID, and a “basic” calculator (for a description see the “Required Materials” section of the syllabus) with you to each exam.

Missed Exams: There are no make-up midterm examinations. You are forewarned well in advance to properly schedule your time and make proper arrangements for other potential conflicts. If you must miss a midterm exam, say due to illness, you may be permitted to transfer the missed credit to the final examination. To qualify for a transfer of credit, you must contact Professor Balaban **before** the start of the missed midterm examination and provide her with an acceptable explanation. You will be required to support your explanation with documentation within 2 business days after the exam. For example, if you miss an exam on a Friday, then you will have until Tuesday to provide your documentation. If the explanation and documentation are approved by Professor Balaban, then the weight of the midterm will be placed on the final exam.

If you miss both midterm exams, then your final exam will only carry a weight of 75%, i.e. a 10 percentage point penalty applies. If you are unable to attend the final exam, then you will need to provide Professor Balaban with an “Exam Excuse” from the Dean’s Office and a make-up exam will be scheduled at a mutually convenient time.

Writing Assignments: You will be required to submit 5 short writing assignments during the semester. Generally, the assignment will ask you to answer a few questions based on the required course readings. In some instances, however, you may be asked to do some additional research in order to answer the questions. These assignments will be spaced so that one is due every week and each will count toward 3% of your final course grade.

Grading Scale: I will use the following scale, which is based on a percentage of total possible points, to assign your final grade.

A	= 93-100	C	= 73-76
A-	= 90-92	C-	= 70-72
B+	= 87-89	D+	= 67-69
B	= 83-86	D	= 60-66
B-	= 80-82	F	< 60
C+	= 77-79		

In previous semesters roughly 20% of the class earned in the A-range and 35% of the class earned in the B-range. Although the grade distribution may change this semester, the past scores should give you a sense of my grading standards.

Academic Integrity: All students are expected to adhere to the Honor Code (<http://instrument.unc.edu>). Any violation will result in an **F** for the course, and other sanctions may apply.

Other Important Policies:

Attendance Policy: Regular attendance is strongly recommended. You are responsible for any announcements and assignments that you may have missed if you choose not to attend class. You should get the missed notes/announcements from one of your peers. It is expected that you will respect your peers and the instructor with appropriate behavior while in class and that you will arrive to class on time. **Students who are not willing to attend regularly should drop the course.**

Laptop/Cell-Phone Restrictions: Unless you have a documented visual, auditory, or learning disability requiring the use of a laptop, all laptops and cell-phone usage is restricted during class. If you are expecting an important phone call (job interview, family illness, etc.), please notify me before class then sit near the exit.

Contacts and Email Policy: I prefer that you address all questions/concerns to me in person. However, if you must email me, then please use proper email etiquette (see <http://www.usm.edu/chemistry-biochemistry/e-mail-etiquette-adapted-academia> for details).

Tips for Being Successful in ECON 460

- Attend all lectures.
- Complete all assigned readings before they are presented.
- Dedicate at least three hours of study time outside of class for every hour in class.
- Work through the self-test quizzes that are available for each chapter on the publisher's website. A link to these quizzes can be found in Sakai.
- Work through the recommended problems at the end of each chapter. Answers to these problems are available on Sakai.
- Read current events publications (e.g. the WSJ and/or *The Economist*) and analyze articles that are related to the course content.
- If you find that you are having particular difficulty with any of the material in this course, then get help immediately. *Do not let it build up.* It is expected that you will have completed the readings and reviewed your notes BEFORE we meet. Many students will wait until the last minute to get help and put extraordinary demands on their professor's time. I have weekly office hours so please take advantage of them. It is impossible for me to drop everything and dedicate all of my time before an exam to procrastinating students.

Calendar and Reading List: You are expected to have all assigned readings completed before the material is presented. The entire chapter is to be read unless otherwise noted. Please expect to have additional readings throughout the semester.

I. Patterns of International Trade

- (i) Introduction – Chapter 1 (provides important background information; review the Intro and Section 1 on your own before our first class meeting)
- (ii) Trade and Technology: The Ricardian Model – Chapter 2
- (iii) Gains and Losses from Trade in the Specific-Factors Model – Chapter 3
- (iv) Trade and Resources: The Heckscher-Ohlin Model – Chapter 4
J.F. Hornbeck, 2013. “Trade Adjustment Assistance (TAA) and Its Role in US Trade Policy,” *CRS Report for Congress*.
- (v) Movement of Labor and Capital Between Countries – Chapter 5 and Chapter 1 (Section 2)

Midterm Exam 1 is on June 28th at 9:45am

II. International Trade Policies

- (i) Import Tariffs and Quotas under Perfect Competition – Chapter 7
J.F. Hornbeck and William H. Cooper, 2012. “Trade Promotion Authority (TPA) and the Role of Congress in Trade Policy,” *CRS Report for Congress*.
- (ii) Import Tariffs and Quotas under Imperfect Competition – Chapter 8
- (iii) Export Subsidies in Agriculture and High-Technology Industries – available on Sakai
Paul Krugman, 1987. “Is Free Trade Passe?” *The Journal of Economic Perspectives*, Vol. 1, No. 2, pp. 131-144.
- (iv) International Agreements: Trade, Labor, and the Environment – Chapter 9

Midterm Exam 2 is on July 11th at 9:45am

III. Exchange Rates, the Balance of Payments, and Open-Economy Macro

- (i) Introduction to Exchange Rates and the Foreign Exchange Market – Chapter 10
- (ii) Exchange Rates I: The Monetary Approach in the Long Run – Chapter 11 (skip Section 3)
- (iii) Exchange Rates II: The Asset Approach in the Short Run – Chapter 12
- (iv) National and International Accounts: Income, Wealth, and the BOP – Chapter 13
- (v) Output, Exchange Rates, and Macroeconomic Policies in the Short Run – Chapter 14
- (vi) Fixed versus Floating: International Monetary Experience – Chapter 15

Final Exam is on July 25th at 8:00am

Disclaimer: Although the instructor intends to follow this syllabus as closely as possible, there may be times when deviations from the material presented herein are necessary.