

ECON 758
Advanced International Economics

Fall 2009
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Office Hours

Walk in: M/W 11am – 12pm and 2pm – 3pm; Friday 11am – 1pm; Email: M 3:00pm – 5:00pm and by appointment.

Course Web Page: <http://facstaff.uww.edu/ahmady/courses/econ758/>

This is the web page for the course. Here you can find the course schedule, lecture notes, problem sets and more.

Prerequisites

ECON 202 – Principles of Macroeconomics or
ECON 704 – Economic Foundations

We will be using mathematics and graphs extensively within this course. In particular, you should be able to algebraically manipulate equations and solve them. In addition, you should be able to analyze graphs and infer implications of what happens to the curves representing the underlying mathematical equations.

Required Resources

1. Text: Robert Feenstra and Alan Taylor, (2008), International Economics, 1st Edition, Worth. ISBN: 0-7167-9283-4
2. The Course Homepage: <http://facstaff.uww.edu/ahmady/courses/econ758/>

Recommended:

Text: Krugman, P. and Obstfeld, M. (2006), International Economics: Theory and Policy, 7th edition, Pearson/Addison Wesley. ISBN: 0-321-27884-4
Text: Sawyer, W. and R. Sprinkle (2006), International Economics, 2nd Edition, Pearson/Prentice Hall. ISBN: 0-13-170416-8

The main textbook for the course is by Feenstra and Taylor (FT). For those who wish to consider alternatives to the main text, I have listed two additional books that contain all the topics that will be covered in the course. However, the difficulty of this course will lie somewhere in between the levels of the two recommended texts listed above. Although the textbook by Sawyer-Sprinkle (SS) is relatively easier, it lacks any of the technical details. The text by Krugman-Obstfeld (KO) is the more difficult text since it contains more technical details on the topics. However, it covers the topics in much greater detail than we will have time for in the course.

Course Description Objectives and Assessment

This course is intended to expose non-economics Masters level students to the principle workings of the international economy. As the economies of the world become ever more interdependent, it is helpful to understand the nature and mechanisms of this interdependence and its implications for business and the public at large. While at times not

of obvious relevance, international events help to shape the environment in which decisions and policies must be made. Understanding this dynamic will help to inform strategic business decisions and public policy analysis.

The course consists of two parts: i) International Trade and Trade Policy; ii) Open Economy Macroeconomics and Finance. In the first part of the course, we will consider the basis for and scope of world trade, the principle tools of trade policy and the forces behind their use. In the second part, we will examine balance of payments problems, the nature and instruments of foreign exchange trading, exchange rate determination, exchange rate regimes, and open-economy macroeconomics and policy. Our emphasis will be on understanding the abstract theoretical foundations with a view towards applying them in the analysis of international economic issues and events. Performance on the course is measured and assessed through questions in exams and problem sets.

Course Requirements and Grading

The requirements for this course are class participation, five problem sets (posted online), one midterm exam, and one final exam. Both the midterm and the final exam will be cumulative, so you can expect them to cover materials from the course up to the date of the exam.

The grading scheme is as follows: the midterm and the final both count 30 percent towards your overall course grade. Each problem set **turned in** will give you 7 percent for a total of 35 percent (i.e. 5 * 7 percent). Class participation makes up the remaining 5 percent of your overall grade. I will provide more details on what I mean by class participation during the first lecture.

Warnings: If you miss the deadline for the midterm for any reason, I will count the score on your final exam as 60 percent of your overall grade. There will be no make up midterms. Similarly, problem sets turned in late (i.e. after the due date) will not be accepted, or counted towards your overall course grade. This schedule is not flexible at all, so it is your responsibility to make sure that you can turn in problem sets and exams on time.

Please note that whilst students are encouraged to work together on the problem sets, each student is expected to submit an individual answer to the problem sets. Generating ideas for homework solutions can be done in collaboration with others; communicating those ideas in the form of your **problem set submissions must be done individually**.

A Note on Letter Grades:

As a general guideline, grades will be assigned as follows:

A:	>= 90 percent
A/B:	85-89 percent
B:	78 – 84 percent
B/C:	71 – 77 percent
C:	61 – 70 percent
D:	50 - 60 percent
F:	< 50 percent

I will typically apply a “curve” to the scores at the end of the semester in order to account for things like the difficulty of exams etc.

Attendance Policy

Enrollment in this course is taken as a commitment from you that you have made room in your life to fulfill the obligations of this course - coming to class, being there for exams when they are scheduled, etc. I will not record attendance, but you will find yourself at a significant disadvantage if you miss class. **It is the student's responsibility to obtain any materials or information missed due to absence.**

Advice

The questions on the exams will require a thorough understanding of the material presented in the course. To that end, use the problem set questions and sample exams as tools to help you study and understand the material. To do well in the exams, you need to truly understand the concepts and ideas in class, and be able to apply them. Make sure you spend sufficient time trying to grasp the ideas and think about how they relate to the real world.

A more general piece of advice for economics courses: learning economics is a lot like learning math! If you want to do well in Econ, you need to practice, and be able to do three things (in combination):- (i) do math and be able to manipulate equations; (ii) understand graphs and be able to communicate that understanding; (iii) [the hardest of the three!] apply (and understand!) abstract logic! Spend a little time every day, practicing problems, and trying to understand the concepts presented in lectures. Use office hours! Come and see me if you have any questions whatsoever, be it about the material, or some concept you haven't fully grasped yet.

Policy Statement

The University of Wisconsin-Whitewater is dedicated to a safe, supportive and non-discriminatory learning environment. It is the responsibility of all undergraduate and graduate students to familiarize themselves with University policies regarding Special Accommodations, Misconduct, Religious Beliefs Accommodation, Discrimination and Absence for University Sponsored Events. (For details please refer to the Undergraduate and Graduate Timetables; the "Rights and Responsibilities" section of the Undergraduate Bulletin; the Academic Requirements and Policies and the Facilities and Services sections of the Graduate Bulletin; and the "Student Academic Disciplinary Procedures" [UWS Chapter 14]; and the "Student Nonacademic Disciplinary Procedures" [UWS Chapter 17].

UWW Student Honor Code

As members of the University of Wisconsin – Whitewater College of Business & Economics community, we commit ourselves to act honestly, responsibly, and above all, with honor and integrity in all areas of campus life. We are accountable for all that we say and write. We are responsible for the academic integrity of our work. We pledge that we will not misrepresent our work nor give or receive unauthorized aid. We commit ourselves to behave in a manner that demonstrates concern for the personal dignity, rights and freedoms of all members of the community. We are respectful of college property and the property of others. We will not tolerate a lack of respect for these values.

This code originated at Wheaton College.

Course Outline

This course outline is tentative and I reserve the right to amend the schedule as I see fit. These changes will be announced in class and posted on the course webpage. We will cover as many topics as time permits, which in turn will depend on the pace of the class. Below, I list the tentative topics with the relevant chapters in Feenstra-Taylor (FT), Krugman-Obstfeld (KO) and for Sawyer-Sprinkle (SS).

Lecture notes along with greater detail on relevant reading will be provided on the lectures page off the course homepage:

<http://facstaff.uww.edu/ahmady/courses/econ758/lectures.htm>

There I will list the relevant chapters that contain the parts of the topics which we will cover.

	Topics	Chapters in FT	Chapters in SS	Chapters in KO
Part I: International Trade				
1	Introduction and Review of Definitions Tools of Analysis for International Trade	1, pp. 2 – 14	1	1 - 2
2	Absolute Advantage; Comparative Advantage and the gains from Trade; The Ricardian/Classical Model of Trade	2, 3 (pp. 70-79)	2	3
3	Heckscher-Ohlin Model and its extensions	4, 6	3	4
4	International Trade Policy	8 - 10	6-7	8
Part II: International Finance and Open Economy Macroeconomics				
5	National Income Accounting and Balance of Payments	12.1-12.2, 16	11	12
6	Foreign Exchange Market and Exchange Rates	13, 15.1	Skim 12, 13	13
7	Money, Interest Rates and the Exchange Rate	14.2; 15	14	14
8	The Exchange Rate in the Long Run, PPP	14 (skip 14.5)	15	15
9	Short run Theories of the Exchange Rate and its effect on Output	15	16	16
10	Open Economy Macroeconomic Policy	18	17-18	17, 18: pp 485-491, 19