

ECON 280

The International Economy

Fall, 2012

Prof. Wendy Takacs

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Class meets MW 2:30-3:45pm in Engineering 022

Office Hours: in or nearby PUP 333

Mondays: 11:30am-12:30pm

Wednesdays 5:00-6:00pm

or by appointment

COURSE OUTLINE AND READING LIST

Purpose of the course: The purpose of this course is to provide an introduction to the major institutions, analytical methods, issues and controversies in international economics.

Learning objectives: By the end of this course, students will have acquired a basic understanding of the major analytical and policy issues in the fields of international trade and international finance. You will be able to apply some of the analytical methods introduced in the Principles of Economics (Micro and Macro) to international economic issues. By completing the "country assignments" you will acquire a perspective on the economic issues facing one particular country of your choice, and also become familiar with the major sources of economic data and information on individual countries, international trade, international finance, and international monetary relations.

Scope of the course: This course covers topics in both international trade and international finance (that is, both the microeconomic and macroeconomic sides of international economics). On the trade side, major topics include the reasons why countries trade with one another, determinants of the commodity composition of trade, the impact of trade barriers, the impact of economic integration arrangements among sovereign areas (such as free-trade areas, customs unions, and monetary unions) and the arguments for and against protecting domestic producers from import competition. On the international finance or international monetary side, topics include exchange rates among different currencies, balance of payments problems, comparison of different exchange rate systems, and monetary unions. We will also discuss the role of the major international organizations concerned with trade (the World Trade Organization), international financial and monetary policy issues (the International Monetary Fund) and economic development (the World Bank). If time allows we will delve more deeply into problems of economic development in low-income countries.

Prerequisites: The prerequisites for this course are ECON 101 Principles of Microeconomics and ECON 102 Principles of Macroeconomics, or their equivalents. We will be applying analytical tools developed in the principles of economics courses to the specific issues that arise as a result of economic transactions among independent countries.

Textbook: Reinert, Kenneth. *An Introduction to International Economics: New Perspectives on the World Economy*. Cambridge University Press, 2012. Chapters cited in the “Schedule of Topics and Readings” below refer to the chapters in this textbook.

Requirements: The requirements for the course include two examinations and a number of “case study” country assignments throughout the semester.

Examinations: The first examination will cover topics in international trade, international migration, and internationalization of production. The second examination will cover topics in international finance and international monetary economics. The second examination will not be comprehensive (that is, will not specifically test material already examined in the first exam).

Country assignments: The purpose of the country assignments is twofold: 1) to make the discussions in class more “real” through an actual case study, and 2) to introduce students to the major sources of international economic data and information. Each student will choose a specific country at the beginning of the semester. As we discuss the topics in international trade and international finance during the semester, each student will complete “case study” assignments requiring compilation of data or information for the case of their chosen country. The assignments are available on the Blackboard site for the course, will be turned in by uploading a file containing your answers to the questions asked, and will be returned to you graded via e-mail. There is a “hard” due date and time for the submission of each assignment. The link to upload your country assignment will disappear on the specified date at the specified time.

The major sources of data on trade, international trade policies, and international financial and monetary issues are publications of the World Trade Organization, the International Monetary Fund, and the World Bank. For that reason it is useful to pick a country that is a member of all 3 of these international organizations. Most, but not all, countries are members of all three. Check the lists of members of these organizations on www.imf.org , www.worldbank.org , and www.wto.org to be sure that the country you choose is a member of all three.

Final grade: The first examination will count for 40% of the final grade, the second examination for 40% of the final grade, and the country assignments for 20% of the final grade.

Academic Integrity: It is expected that all work done for this course will be your own. This implies that all answers to exam questions will be from your own memory and will reflect your own understanding of the material. Your country assignments will be researched, prepared and revised by you alone. *Be careful that you do not appropriate ideas or wording from any source without attributing the source. Direct quotations (that is using the same words) must be identified as such by quotation marks or separating the quoted text from the main body of your written work.* When you compile data for country assignments, be sure to indicate the data source. This is simply good research practice. For more information on the importance of academic integrity and UMBC policies on academic misconduct see http://www.umbc.edu/undergrad_ed/ai (there is an “underline” between grad and ed) especially “Resources for Students”.

SCHEDULE OF TOPICS AND READINGS

Week of:	Topic:	Assignment:
Aug 29 (W)	Introduction to the Course	Reinert, Chap. 1
Sept 5 (W)& Sept 10 (M)	Absolute and Comparative Advantage <i>Mon. Sept. 10 Country selection due</i>	Reinert, Chap. 2, 3
Sept. 12 (W)	Intra-industry Trade	Reinert, Chap 4
Sept 17	The Political Economy of Trade <i>Mon. Sept17 Country Assignment 1 due 10:00pm</i>	Reinert, Chap. 5
Sept. 24	Trade Policy Analysis <i>Mon. Sept. 24 Country Assignment 2 due 10:00pm</i>	Reinert, Chap. 6
Oct. 1	International Economic Institutions: The World Trade Organization <i>Mon. Oct. 1 Country Assignment 3 due 10:00pm</i>	Reinert, Chap 7
Oct 8	Preferential Trading Arrangements <i>Mon. Oct. 8 Country Assignment 4 due 10:00pm</i>	Reinert, Chap 8

Oct. 15 International Flows of Factors: Reinert, Chap 10
Reinert, Chap 12
Mon. Oct 15 Country Assignment 5 due 10:00pm

Wed. October 17 FIRST EXAMINATION 2:30pm-3:55pm

Oct. 22 The Balance of Payments Reinert, Ch. 13

Oct. 29 Flexible Exchange Rates Reinert, Ch. 14
Monday Oct. 29 Country Assignment 6 due 10:00pm

Nov. 5 Fixed Exchange Rates Reinert, Chap. 16

Nov. 12 International Economic Institutions:
The International Monetary Fund Reinert, Chap. 17

Nov 19 Financial Crises Reinert, Chap. 18
Monetary Unions Reinert, Chap. 19
Monday Nov. 19 Country Assignment 7 due 10:00pm

Nov. 26 Growth and Development Reinert, Chap 20
Reinert Chap 21

Dec 3 International Economic Institutions:
The World Bank Reinert, Ch. 23

Dec 10 Catch-up and Review

Friday December 14 SECOND EXAMINATION 1:00-3:00pm