

ECONOMICS 4350/6650
INTERNATIONAL ECONOMICS
Spring 2016
12:05-1:25 TTh, IC 117

TIBOR BESEDEŠ

Office: 321 Old CE

OFFICE HOURS: Thursdays 10:00am–11:00am and by appointment

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Course Objectives:

This course examines microeconomic and macroeconomic aspects of international economics. About two thirds of the course will be devoted to examining the microeconomics aspect or international trade, while the remaining time will be devoted to the study of macroeconomic aspects or international finance.

We will develop a theoretical framework to understand international trade. We will examine the possibility of gains from trade, the nature of comparative advantage and the determination of the pattern of trade, and the role of scale economies, imperfect competition, and factor movements. We will examine trade policy, in particular the effects of protection (tariffs and non-tariff barriers). Our investigation of international finance will focus on the formation of exchange rates in both short- and long-run and implications of exchange rate policy for the whole economy.

At the end of the course you should have an understanding of international trade and finance which will allow you to analyze current issues in both areas discussed in popular media.

Specific Learning Objectives:

Knowledge:

- Why countries trade?
- What are the various reasons allowing countries to exchange products in a mutually beneficial way?
- Who wins and loses from international trade?
- What are the policy responses to international trade?
- How are exchange rates formed?
- How do exchange rates interact with the rest of the economy?
- What are the macroeconomic policies available under various exchange rate regimes?

Skills:

- Graphical and mathematical analysis
- Use of calculus to solve problems and models
- Problem solving methods as applied to economic theory

- Ability to apply analytical tools to economic concepts and ideas
- Critical thinking and logic

Perspectives:

- Understanding international economics in a broad context
- Understanding causes and consequences of international trade
- Having a broad perspective of various issues pertaining to globalization

Textbook:

1. Feenstra, Robert C. and Alan M. Taylor, *Essentials of International Economics*, 3rd ed., Worth Publishers, with LaunchPad. (*required*)

You can purchase the textbook in any format you want (paper, e-book). However you decide to purchase the textbook, you *must* purchase access to LaunchPad.

Accessing LaunchPad for the course:

Go to <http://www.macmillanhigher.com/launchpad/feenstrataylorintlecon3/2881813>

Notes:

LaunchPad: All homework will be assigned and graded on LaunchPad. You can purchase access to it or register an access code by going to the above link.

T-Square: The main medium of communication will be T-Square. All course announcements, grades, exam solutions, and other information will be posted there.

Prerequisites:

Prerequisites are designed to protect you from taking courses that you are unprepared to successfully complete. You should follow the recommended prerequisites closely. The following courses are prerequisites for this course. You are expected to have mastered the material covered in these courses *before* taking this course.

Principles of Economics (ECON 2100 or ECON 2105 and ECON 2106)

Recommended Prerequisites:

While not required, you are strongly encouraged either to have taken Advanced Microeconomics (ECON 3110) or to familiarize yourself with the theory of consumer choice and the theory of the firm as covered in an advanced/intermediate microeconomics course. You should be well versed in indifference curves, budget lines, optimal choice, production function, isocosts, isoquants, cost minimization, and profit maximization. You can review this material in any standard intermediate microeconomics textbook, such as Varian's *Intermediate Microeconomics*, Perloff's *Microeconomics*, Pindyck and Rubinfeld's *Microeconomics*, or Besanko and Braeutigam's *Microeconomics*. We shall review the necessary tools at the start of the semester.

Grading:

Grades will be based on three exams and periodically assigned homework. The final exam will be given at the time scheduled by the Institute. If you have a conflict with another final, certain accommodation can be made. Please see me two weeks before the final exam if that is the case. ***There will be no make-up exams under any circumstances.*** An exam that is missed will be considered an F, unless you have been prevented from taking the exam by forces outside of your control. In such cases (illness, car accident, family emergencies, Institute functions) some form of documentation will have to be provided in order for you not to receive an F. Provided an exam is missed for a valid reason, your grade on the final exam will serve as a substitute for the missed exam.

Each homework consists of several problems, usually multiple choice, which can be mathematical in nature or will require you to analyze a problem and provide an answer/explanation applying the tools learned in the classroom. All homework will be announced, assigned, and, completed through LaunchPad. It is ***your responsibility to check Launchpad or T-Square for new homework assignments*** and to complete them by the due date. You can ask questions about homework in class, during office hours, or via email at any point before it is due. You will have at least a week to complete homework assignments. The lowest homework grade will be dropped.

Exams will consist of up to ten short answer problems. If your answer to an exam problem requires several steps and/or calculations, you need to show your work. An answer without shown work is not sufficient and you will not receive full credit. Exams will be graded and returned within two weeks.

There will be no special extra credit or extra work of any kind for the purpose of raising a grade during or after the course. This is to ensure that everybody has equal opportunities to earn their grade and that grades are based on work during the course. There are typically 10% extra credit points on each exam (on an exam worth 100 points, you can receive a maximum of 110).

The final grade is calculated as follows:

Homework	10%
Midterm Exam 1	30%
Midterm Exam 2	30%
Final Exam	30%

Each exam is graded on a curve with a C average. If the average on an exam is better than a C no curve will be applied.

Final grades are determined using the standard scale:

A – 90-100%
B – 80-89.99%
C – 70-79.99%
D – 60-69.99%
F – 0-59.99%

Final grades are **not** rounded up. Hence, 89.89 is a B **not** an A.

If you are taking this class pass or fail, a grade of C or higher is a passing grade. If you earn a D or an F, you will be given a failing grade for the course.

Exam dates are as follows:

Exam 1 – Thursday, February 11

Exam 2 – Thursday, March 10

Final Exam – **Tuesday, May 3, 2:50pm – 4:10pm**

Attendance:

While attendance will not be graded, I strongly encourage you to attend classes, as performance in the class is usually highly correlated with attendance.

Course Rules:

- It is considered common courtesy to include your name when sending me an email. Especially when your email contains a question.
- Please come to class on time. It is disrespectful and disruptive to me and everyone else if somebody strolls into class late.
- If you need to leave early, please inform me before the class begins.
- If you intend to or have a tendency to sleep, read newspapers, do crossword puzzles, check your email or portfolio, surf the net, or entertain yourself in other ways during lectures, **STAY AT HOME**. Such behavior is disruptive for everyone.
- Please **turn off** all electronic devices such as **cell phones, pagers, and beeping watches**.
- Laptop use. You are free to use a laptop or tablet pc for the purpose of **note taking only**, not for any other purpose. You should be warned that this class makes intensive use of graphs. If you are unable to quickly reproduce graphs on your computer you may fall behind during the lecture. In such a case, a laptop as a note taking tool is a disadvantage.

Students with disabilities:

Georgia Tech offers accommodations to students with disabilities. If you need a classroom accommodation, please make an appointment with the ADAPTS office (www.adapts.gatech.edu). If you have an accommodation letter from the ADAPTS office and require accommodations, please see me in my office during office hours or by setting up an appointment with me.

Academic Honesty:

Cheating is **unacceptable**. You are hereby reminded that you have pledged to uphold the honor code as follows:

Having read the Georgia Institute of Technology Academic Honor code, I understand and accept my responsibility as a member of the Georgia Tech community to uphold the

Honor Code at all times. In addition, I understand my options for reporting honor violations as detailed in the code.

Should you be caught cheating in this class you will be prosecuted according to the honor code and policies and procedures established by the Honor Advisory Council. Should you have any questions about this do not hesitate to contact me.

Collaboration policy:

Homework - Since homework is a learning tool you are allowed and encouraged to work together with other students as long as you write up and turn in your own solutions.

Exams – Exams are given to evaluate your understanding and command of the material. They are an assessment tool. As such they must reflect your own knowledge, and not that of students sitting around you or things written on cheat sheet and other cheating tools. During the exam, mind your own work and do not look in other students' exams. Should you be found guilty of cheating on an exam you will be penalized. Exam is **not** a collaborative effort.

General Information and Disclaimers:

I plan to cover as much as possible during the course of this class. While I will mostly follow the textbook, I may add some material that is not contained in it. In that case, your lecture notes will contain all the relevant information that you will need on exams. If you are having trouble with the material you are strongly encouraged to come see me during office hours. I strongly encourage you to work on the problems assigned in class as well as others in the textbook and/or study guide. This will not only help you come exam time but also enable you to truly understand the material.

The course outline below is a provisional one and subject to change. The topics included on each exam will depend on how quickly we cover the material. Hence exams can include more or less material than what is stated below.

The syllabus is not subject to change, except for the course outline.

ECON 6650 students

There will be an additional assignment for students registered for ECON 6650. You will have to write a 10-15 page paper. In it you should profile a country and its international trade. How has it evolved over the last several years? How was it affected by the Great Recession? What are its policies towards international trade? Are they very protectionist or very open? How many trade agreements do they have?

By March 17, you should send me an email about which country you will profile and what sort of questions you will seek to address. The paper will be due by the last day of the finals week, May 6.

COURSE OUTLINE AND READING ASSIGNMENTS

Week	Date	Chapter	Assignment due
1	12-Jan	Ricardo	
	14-Jan	Ricardo	
2	19-Jan	Specific Factors	Ricardo
	21-Jan	Specific Factors	
3	26-Jan	Heckscher-Ohlin	Specific Factors
	28-Jan	Heckscher-Ohlin	
4	2-Feb	Heckscher-Ohlin	
	4-Feb	Movement of Resources	Heckscher-Ohlin
5	9-Feb	Movement of Resources	
	11-Feb	Exam 1	Movement of Resources
6	16-Feb	IRS	
	18-Feb	IRS	
7	23-Feb	Tariffs under Perfect Comp	IRS
	25-Feb	Tariffs under Perfect Comp	
8		Tariffs under Imperfect Comp	
	1-Mar	Tariffs under Imperfect Comp	Tariffs under PC
	3-Mar	Tariffs under Imperfect Comp	
9	8-Mar	International Agreements	Tariffs under Imperfect Comp
	10-Mar	Exam 2	Agreements
10	15-Mar	Intro to Exchange Rates	
	17-Mar	Intro to Exchange Rates	
11	22-Mar	No classes – Spring Break	
	24-Mar	No classes – Spring Break	
12	29-Mar	Exchange Rates I	Intro to Exchange Rates
	31-Mar	Exchange Rates I	
13	5-Apr	Exchange Rates II	Exchange Rates I
	7-Apr	Exchange Rates II	
14	12-Apr	National and Int'l Accounts	Exchange Rates II
	14-Apr	Balance of Payments II	National and Int'l Accounts
15	19-Apr	Balance of Payments II	
	21-Apr	Fixed vs. Floating	Balance of Payments II
16	28-Apr	Fixed vs. Floating	Fixed vs Floating
17	3-May	Final Exam	