

Georgia Institute of Technology

School of Economics

Fall 2015

ECON 4350/6650

INTERNATIONAL ECONOMICS

Tuesday and Thursday, 3:05 - 4:25 pm

- Instructor:*** Mikhail Klimenko
- Office:*** Old Civil Engineering (CE) building at 221 Bobby Dodd Way, Room 320
- Office Phone:*** 404-894-0353
- E-mail:*** Use the e-mail link on the t-square site of this course
- Office Hours:*** Tuesday, 4:30 – 6:15 p.m. and by appointment.
- Teaching Assistant:*** He Zhang <hzhang440@gatech.edu>
- Course Webpage:*** Important announcements, some readings materials, and assignments will be posted on the t-square site set up for this course. All students must have access to the site and check it regularly.

Course Overview

The objective of this course is to provide you with the tools and the background necessary to comprehend and operate within the world of international economic theory. Be prepared that the course is quite challenging and that it will require considerable effort on your part to master all the techniques and concepts that will be covered in class. Furthermore, in order to grant you proper exposure to the field of international economics, we must move at an accelerated pace. It is thus highly recommended that you keep up with the readings as it is very easy to fall behind.

Both parts of the course, International Trade Theory and International Finance, are multi-faceted and complex subjects. International Trade Theory involves subtle and difficult economics and management questions about what determines a country's level of productivity (competitive advantage), and what, if any, government policies affect that competitive advantage. International Finance deals with foreign exchange markets, the adjustments in the balance of payments and the welfare effects of the macroeconomic interdependence among nations under different monetary systems.

Learning Goals

Students will demonstrate the ability to describe the social, political, and economic forces that influence government policies and corporate strategies in the context of international trade and finance.

Students should demonstrate the ability to analyze economic phenomenon with Clarity, Accuracy, Precision, Relevance, Depth, Breadth, and Logic.

Students acquire the ability for critical thinking with respect to issues in international trade and finance. Critical thinking is defined as systematically analyzing and questioning information in a manner that identifies and evaluates problems, processes, values, assumptions, and arguments in order to reach understanding, determine solutions, and initiate actions.

Course Prerequisites

Principles of Economics (ECON 2100 or ECON 2105 and ECON 2106) or an equivalent course in microeconomics is the prerequisite for the course. Look over Chapters 2 and 3 of the textbook for the course; if the material appears difficult you should review your Principles of Economics textbook (I can point out specific topics to review). I expect you to have some knowledge of algebra and graphs. Some very elementary calculus (e.g., derivatives of simple functions) will be helpful.

Required Text

Krugman, Obstfeld, and Melitz, *International Economics: Theory and Policy, 10th Edition* (Prentice Hall, 2015) is the required textbook.

The textbook is available at the Engineers Bookstore bundled with an access code for an online component called MyEconLab. MyEconLab is a web-based teaching and learning aid that reinforces and clarifies the concepts covered in class through study tools such as animations, graphing simulations, and interactive exercises. MyEconLab comes with or without on-line version of the textbook. MyEconLab is **required** for this course. I will use it for your homework assignments and to provide extra content and learning tools for you.

If you choose not to buy the bundle of the textbook's hard copy and MyEconLab's access code in the Bookstore, you may purchase only the access to MyEconLab's software (which comes with and without e-textbook). To find out how to buy the textbook and access MyEconLab's software for this course, see the 1-page instructions attached in the end of this syllabus.

You are encouraged to keep abreast of current issues in international trade and finance as found in The New York Times, The Wall Street Journal, The Economist, The Financial Times, Business Week and etc.

Reading assignments and lectures

I will follow the textbook for the most part of the course. However, additional reading and simulation assignments (based on the features of the MyEconLab) may be posted on the MyEconLab's site. The extent of the daily reading load may vary substantially. A wise student will look ahead and try to smooth the reading load.

The textbook provides a basic coverage of the material for the course. It is the basis for all the problem sets. But it covers only the minimum that you are expected to know. My lectures will presume you have read the book and will focus on extending the material in the book. I may marginally change the sequencing, add/delete chapters and add additional readings or simulation exercises – I will announce this in class if I do. All of this implies that attending class is very important.

Class lectures will emphasize using your economic reasoning to answer economics problems. Hence some material in the reading assignments will not be covered explicitly in class. This should not be interpreted as an indicator of its importance. Rather, scarce classroom time must be allocated judiciously, and, as you will learn in the class, should be devoted to those ideas for which classroom interpretation has the greatest incremental impact on your understanding. Thus, much of the material describing plain facts or institutional details that you can learn as easily from the book as from me is neglected in class, but remains an important part of the course.

Online problem sets

There will be home assignments (i.e., problem sets) administered over the Internet using MyEconLab. You can expect between 9 and 12 home assignments during the semester. I will drop the lowest of your home assignment scores. You will be able to work on the home assignments only after purchasing the on-line access to MyEconLab. Each assignment will be available online for your use over the period of 10-14 days. You will not be able to work on an assignment once its available time period has expired. *Avoid procrastinating: failure to complete an assignment because of computer problems or any other personal reason is not a valid excuse.* In this syllabus, I indicated the weeks during which the specific assignments will be due. However, I may change the availability and due dates of the assignments as the course progresses. *It is your responsibility to find out when assignments are due.*

You can make two attempts at submitting each homework assignment. Your grade for the assignment will be based on your most successful attempt. Once you choose your answers and submit your assignment, it will be graded by the computer, and you will see your overall score as well as your result (correct or incorrect) for each question. If you attempt an assignment but do not submit it before the deadline, your assignment will be marked incomplete, and you will receive a zero for the assignment. To avoid this make sure you have submitted every assignment you have attempted. I also urge you to make a hard-copy of your scores for your records. In the absence of such hard copies, the database record will take precedence.

Course organization and student responsibilities

Attendance is expected. You are virtually guaranteed to do poorly if you skip classes. This is a difficult course with a large amount of conceptual and analytical material that builds up very fast -- it is easy to fall behind and get overwhelmed. You are responsible for all material, including topics covered in class that are not in the book or are treated differently from the book.

I will send you frequent e-mail messages and/or make announcements on the t-square site. These will inform you about homework assignments, additional reading materials, clarification of something that came up in class etc., so please get into the habit of checking your e-mail regularly.

E-mail caveat: Due to the large number of electronic messages, it will often not be possible for me to respond to individual electronic queries. Therefore, I urge you to be selective in sending me electronic mail, t-square messages, and etc. If you have questions, it would be best if you talk to me immediately after class or during the office hours.

Grading

75 percent of your final grade will be based on three in-class midterm examinations and a cumulative final, weighted equally. However, the lowest of these four exam scores will be dropped. The remaining 25 percent of your grade will be based on the online homework assignment, which will only be available on the MyEconLab's site of the course. All examination dates and deadlines for completing problem sets will be announced in class.

All examinations will consist of multiple-choice and short answer questions and problems. Midterm examinations will cover the material covered since the previous examination. The final examination is a *comprehensive* examination.

For each assignment you will receive an absolute and a standardized score. The final grade will be calculated by taking the weighted average of your standardized scores for the assignments. The cutoff for an 'A' will be one-half standard deviation. The cutoff for a 'C' will be minus one-half standard deviation. 'B' will be between the cutoffs.

If you are taking the class pass/fail, you need to obtain a 'C' in the class to get a satisfactory grade.

Based on the three midterm examinations and the problem sets, I will post your total score and grade for the course on December 2nd. If you are satisfied with your grade after the first three midterm examinations, you may skip the final examination. If you are not happy with your grade, you can try to improve it by taking a three-hour comprehensive final examination (i.e., the final will be based on all the material covered during the semester). You will have to let me know by Friday, December 4th if you are going to take the final.

Note: Because I drop the score of one of your examinations, there will be no make-up tests given, except under *extreme extenuating circumstances*. Be prepared to document the reason of your absence (by a note from the Dean of Students) and advise me ahead of time if possible.

I drop the lowest score in each grading component of this course, to allow for circumstances that do not classify as "extreme extenuating circumstance." Please use this flexibility wisely as I do not offer make-up assignment/exams for any other reasons.

Accommodations through ADAPTS

Georgia Tech offers accommodations to students with disabilities. Please contact the ADAPTS office if you require such accommodation. If you already have a letter from the ADAPTS office approving specific accommodations, please be sure to give me a copy of that letter.

Class Schedule and Reading Assignments. (Subject to change as the course progresses.)

Weeks	Dates	Reading assignments
1	August 18	Introduction. Chapter 1. An overview of world trade. Chapter 2.
	August 20	○ This chapter will be discussed in class only very briefly, if at all. Therefore, you should make an effort to study it on your own. The concept of comparative advantage. Chapter 3.
2	August 25	The Ricardian model of international trade. Chapter 3 (cont.). <i>Homework Assignment 1 (Assignments are based on the chapters covered during the previous week and are due on Sunday of the current week at 11:45 PM.)</i>
	August 27	
3	September 1	Trade and the Distribution of Income I. Chapter 4, pp. 51-63. <i>Homework Assignment 2</i>
	September 3	
4	September 8	Trade and the Distribution of Income II. Chapter 4, pp. 63-83. (It is important to study the Appendix at the end of the chapter.) <i>Homework Assignment 3</i>
	September 10	Midterm I
5	September 15	Resources in Trade. Factor-Proportions Theory. Chapter 5, pp 84-117. (It is important to study the Appendix at the end of the chapter.)
	September 17	
6	September 22	The standard trade model. Chapter 6, pp. 118-144. <i>Homework Assignment 4</i>
	September 24	
7	September 29	External economies of scale and the international location of production. Chapter 7, pp. 145-163.
	October 1	Firms in the global economy. Chapter 8, pp. 164-185. <i>Homework Assignment 5</i>
8	October 6	The firm's decisions regarding exports and foreign direct investment. Chapter 8, pp. 185-205. <i>Homework Assignment 6</i>
	October 8	
9	October 13	<i>Recess</i>
	October 15	Instruments of international trade policy. Chapter 9, pp. 206-235. <i>Homework Assignment 7</i>
10	October 20	The political economy of trade policy. Chapter 10, pp. 236-274. <i>Homework Assignment 8</i>
	October 22	Midterm II
11	October 27	<u>Time permitting</u> Trade policy in developing countries. Chapter 11, pp. 275-289.
	October 29	Controversies in trade policy. Chapter 12, pp. 290-311.
12	November 3	National income and balance of payments accounting. Chapter 13. <i>Homework Assignment 9</i>
	November 5	

13	November 10	Exchange rates and the foreign exchange market: An asset approach. Chapter 14. <i>Homework Assignment 10</i>
	November 12	
14	November 17	Money, interest rates and exchange rates. Chapter 15. <u>Time permitting</u> Price Levels and the Exchange Rate in the Long Run. Chapter 16. <i>Homework Assignment 11</i>
	November 19	
15	November 24	Midterm III
	November 26	<i>Official School Holiday</i>
16	December 1	Review
	December 3	
17		Final Examination

To register for **International Economics (Fall 2015)**:

1. Go to www.pearsonmylabandmastering.com.
2. Under Register, select **Student**.
3. Confirm you have the information needed, then select **OK! Register now**.
4. Enter your instructor's course ID: **klimenko07104**, and **Continue**.
5. Enter your existing Pearson account **username** and **password** to **Sign In**.
You have an account if you have used a Pearson product, for example: MyMathLab, MyITLab, MyPsychLab, MySpanishLab or Mastering, such as MasteringBiology.
> If you don't have an account, select **Create** and complete the required fields.
6. Select an access option.
> Use the access code that came with your textbook or that you purchased separately from the bookstore.
> Buy access using a credit card or PayPal account.
> If available, get 14 days temporary access. (The link is near the bottom of the screen.)
7. From the confirmation page, select **Go To My Courses**.
8. On the My Courses page, select the course tile **International Economics (Fall 2015)** to start your work.

To sign in later:

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4. Select the course tile **International Economics (Fall 2015)** to start your work.

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3. Enter your Pearson account **username** and **password**, and **Sign In**.
4. Select **Upgrade access** from the course tile **International Economics (Fall 2015)**.
5. Enter an access code or purchase access with a credit card or PayPal account.

For a registration overview, go to www.pearsonmylabandmastering.com/students/get-registered. Scroll down to **Need a little help?** and select a video.