

George Washington University

Department of Economics

ECON 2180 Section 10
Survey of International Economics
Spring 2015
TR 9:35am – 10:50am
FNGR 108

Pablo Vega-Garcia
2115 G St, NW Suite 308
pvega@gwmail.gwu.edu

Office hours: Tuesday and Thursday
12:30pm - 2pm, and by appointment.

T.A.'s Office Hours

T.A.	Office Hours	Room	Email
Gao Chen	Tuesday 11:00am -12:30pm and Friday 1:00pm-2:30pm	Monroe 324	cheng7@gwmail.gwu.edu
Sharon Wu	Monday 3:30pm - 5:30pm and by appointment	Monroe 374	xiaohui_wu@gwmail.gwu.edu
Hang Zhou	Thursday 12:00pm - 2:00pm and 6:30pm-7:30pm	Monroe 374	hangzhou@gwmail.gwu.edu

Note: You may attend the T.A.'s office hours that best suit your schedule.

COURSE DESCRIPTION

Economics 2180 is a one-semester International Economics course that covers the basic concepts of International Trade and International Finance. Students are presumed to have current knowledge of microeconomics and macroeconomics at a principles level (although we will quickly review in class some of the techniques to be used during the course).

During the first half of the course we will study **International Finance**. We will cover theoretical models of balance of payments, exchange rate determination, the relationship between exchange rates and prices and between exchange rates and interest rates. We will also focus on policy aspects of international finance and the implications of different exchange rate regimes.

The second half of the course will focus on **International Trade**. We will study theoretical models of trade and explore concepts such as gains from trade and comparative advantage. Moreover, we will study policy aspects of trade such as tariffs and quotas.

We will relate all these concepts to real-world events.

A final observation: Although the course is divided in two parts, International Trade and International Finance, in the real world there is not such a simple dividing line between the two. Most international trade involves monetary transactions and many monetary events have enormous consequences on trade. However, the distinction between the two areas turns out to be a useful way to think about all these issues.

RECOMMENDED TEXT

Essentials of International Economics (3rd edition). Robert C. Feenstra and Alan M. Taylor. Worth Publishers.

The previous editions cover the same topics that we will discuss in class. Of course you can expect differences in the examples used and maybe even in the way the chapters explain some of the topics, but the principles remain the same. There is also an online version of the book that might be cheaper than the hardcopy.

You can also use *International Economics* (1st or 2nd editions) by Robert C. Feenstra and Alan M. Taylor. This book covers a wider variety of topics in trade and international finance and might be more expensive.

There is also a copy of the book on reserve at Gelman Library.

The book is recommended but not mandatory. It will help you to understand better the material and provide you with additional examples. However, in the quizzes and exams **you will be responsible for the material covered in class.** I'll post on Blackboard the slides I use in class as additional class material.

LEARNING OUTCOMES

As a result of completing this course, students will be able to:

1. *Understand* some of the main concepts of international finance, in particular, balance of payments, and the relationship between prices and interest rates with exchange rates.
2. *Understand* the consequences of monetary and fiscal policies on the exchange rate and other macroeconomics variables under different exchange rates regimes.
3. *Understand* the main models of trade, in particular the concept of comparative advantage and the economic consequences of tariffs and quotas.
4. *Identify* the appropriate modeling framework to analyze a given economic problem related to international economics.
5. Correctly *apply* the theoretical techniques to provide a rigorous *analysis* of real world problems in international finance and trade.
6. *Understand* economic news related to the material covered in class.

GRADING

The final grade for this course will be based on the following assignments:

- Problem sets (10%)
- Quizzes (20%)
- Midterm exam (30%)
- Cumulative final exam (40%)

There will be two quizzes during the discussion sessions on the following dates:

- Quiz 1: **Thursday, February 12th / Friday, February 13th.**
- Quiz 2: **Thursday, April 9th / Friday, April 10th.**

The midterm will consist of an in-class exam on **Thursday, March 5th.**

The final exam will be announced as soon as the University determines the date.

PROBLEM SETS

Problem sets will be assigned on a regular basis and will cover in detail the material presented during the lectures.

Problem sets should be completed in **groups of 2 or 3 students**. You only have to hand in one copy per group. Changes in the composition of the groups are allowed without previous notice. Please **be sure that all of your names appear in the first page of the problem set**. No changes in the names listed will be allowed once the problem set has been handed in.

Although each group will be responsible for handing in all the problem sets, **only some specific questions in some of the problem sets** will be graded. Questions that will be graded will be announced **after** the problem sets have been turned in. Grades will be assigned depending on the accuracy of your answers. If the problem set is handed in late but within the same day it is due, there will be a 25% penalization of the total points. **Problem sets will not be accepted after the date they are due.**

Problem sets will not be returned so you will be responsible for making a copy before you turn it in. A detailed answer key will be provided for each problem set.

In the event of not handing in a problem set -even if it is not graded-, a 0 will be assigned to that problem set. If three problem sets are not handed in on time, a 0 will be assigned to the 10% corresponding to the Problem Set part of your final grade.

Working, understanding and mastering the problem sets is critical in order to perform well in the course.

BLACKBOARD and EMAIL

You must regularly consult Blackboard and your University email. They will contain detailed information on the course: all relevant announcements, what we cover in class, the relevant chapters in the textbook, lecture notes, and reading material.

TOPICS

1. National accounting and balance of payments. Chapter 13.
2. Foreign exchange market. Chapter 10.
3. Prices and exchange rates: Purchasing power parity. Chapter 11.
4. Interest rates and exchange rates: Interest rate parity. Chapters 10 and 12.
5. Open economy model: IS-LM-FX model. Chapters 11, 12 and 14.
6. Exchange rate regimes: Fixed versus floating. Chapter 15.
7. International Trade: Review of Analytical Tools.
8. Barriers to Free Trade: Tariffs and Quotas. Chapter 7.
9. Classical and Ricardian Models of International Trade: absolute advantage and relative advantage. Chapter 2.
10. The Heckscher – Ohlin Model. Chapter 4.
11. Specific Factors Model. Chapter 3.
12. Commercial Policy: History and Practice. WTO.

We will spend a considerable amount of time on readings taken from the press related to the different topics in the course. These readings will be announced in advance and I will work under the assumption that students have read these documents before class.

CLASS POLICIES

There will be **no make-up exams**. You should have prior approval (for example for participation in a University sponsored event) or valid documentation (in case of an illness) for missing a problem set, a quiz or an exam.

In the case of a missed problem set due to one of the situations listed above, no grade will be assigned to that problem set and it will not count towards the final average for the Problem Sets grade.

In the case of missing quiz 1 due to one of the situations listed above, weight will be transferred to the midterm exam. In the event of missing the midterm or quiz 2, weight will be transferred to the final exam.

Please note once again that this **re-weighting of the problem sets, or the final exam will only be applied in those cases in which there is prior approval or valid documentation of inability to appear for an exam**. Without prior approval from me or valid documentation, a score of zero will be assigned to that problem set, quiz, or midterm exam.

Attendance is important: recall that lecture, not the text, is emphasized. This class moves rapidly, and the material is cumulative in nature. Hence, if you miss even one class, you may have difficulty catching up and indeed may fall behind. I suggest forming study groups or note-sharing groups so that you have access to class notes from each other in case of an absence. It is your responsibility to make sure you are always up to date.

Please alert me **at the beginning of the semester (first week of classes)** if a religious holiday or obligation will keep you from completing assignments or coming to class at any particular date.

ACADEMIC INTEGRITY

I personally support the GW Code of Academic Integrity. It states: "Academic dishonesty is defined as cheating of any kind, including misrepresenting one's own work, taking credit for the work of others without crediting them and without appropriate authorization, and the fabrication of information." For the remainder of the code, see:

<http://www.gwu.edu/~ntegrity/code.html>

SUPPORT FOR STUDENTS OUTSIDE THE CLASSROOM

DISABILITY SUPPORT SERVICES (DSS)

Any student who may need an accommodation based on the potential impact of a disability should contact the Disability Support Services office at 202-994-8250 in Rome Hall, Suite 102, to establish eligibility and to coordinate reasonable accommodations. For additional information please refer to: <http://gwired.gwu.edu/dss/>

UNIVERSITY COUNSELING CENTER (UCC) 202-994-5300

The University Counseling Center (UCC) offers 24/7 assistance and referral to address students' personal, social, career, and study skills problems. Services for students include:

- crisis and emergency mental health consultations

- confidential assessment, counseling services (individual and small group), and referrals
<http://gwired.gwu.edu/counsel/CounselingServices/AcademicSupportServices>