

ECON-370/670-C01

International Economics

American University
Department of Economics
Summer 2008, First 6-Week Session
T Th 1:00-4:10 pm
Room: Ward 103

Prof. Robert A. Blecker
Office: Roper 211/105*
Phone: 885-3767
E-mail: blecker@american.edu
Office Hours: T Th 11 am - 12 noon
**Moving offices around June 1*

Syllabus

This course will cover the basic principles of international trade theory, trade policy analysis, international capital mobility, globalized production, the balance of payments, exchange rate determination, open economy macroeconomics, and international financial economics. As you will discover, international economics is a challenging subject. Although our primary interest is in policy applications, you will be required to think analytically and to use simple mathematical tools (high school-level algebra and geometry). You must attend regularly, keep up with the readings, ask questions during class, do the assigned problem sets, and take advantage of the instructor's office hours in order to do well in the course.

For Undergraduates in 370:

The prerequisites for this course are two semesters of introductory economics (ECON-100 and 200). Please note that *ECON-370 does **not** count toward the "International Track" in the B.A. in Economics or toward the B.S. in Economics degree.* If you want to do these degrees, you *must* take the more advanced courses ECON-371 (trade) and 372 (finance), which have prerequisites of ECON-300 and 301 (intermediate micro and macro), respectively. This course (370) may be counted toward the General Track in the Economics B.A., but *no more than two* of the three international economics courses (370, 371, and 372) may be counted toward that major. This course may also be counted for the Minor in Economics and various majors in SIS and other schools, depending on their requirements. Please see your advisor or talk to the professor about which course sequence is right for you.

For Graduate Students in 670:

The prerequisites for this course are master's level micro and macro theory (ECON-500 and 501) *or* introduction to economic theory (603). This course is **ONLY** for master's students (primarily in other departments and schools) and cannot be counted toward a Ph.D. degree in economics. Graduate students with adequate preparation are encouraged to take the more advanced courses ECON-671 and 672 instead (both of which require either ECON-505 or 705). Master's students enrolled in 670 will attend the same lectures and take the same exams, but will be expected to write supplemental policy essays (see below).

Class Website

A class website will be created using Blackboard (<http://blackboard.american.edu>). The website will contain this syllabus (and any updates) plus announcements, assignments, copies of PowerPoint presentations and other handouts, and other useful information (e.g., links to required readings and related websites). The class website will also be used for sending e-mail messages to class participants. I will use this feature extensively for making announcements.

You are responsible for accessing the class website and checking it (and your e-mail) for announcements, messages, and assignments. Note that, by default, the Blackboard system sends e-mail to your @american.edu address; if you wish you may change your email address in Blackboard *or* have your @american.edu messages forwarded to another address (using my.american.edu). It is your responsibility to check your e-mail messages from this course regularly.

Books and Readings

There are alternative texts for undergraduates (370) and graduate students (670), but everyone will be required to read some chapters in each (both books will be on reserve in the library) and there is a 3rd, policy-oriented book that is required for everyone:

Kenneth A. Reinert, *Windows on the World Economy: An Introduction to International Economics*, Thomson/South-Western, 2005. (**undergraduate/370 text**) ISBN10: 0030313996

Thomas A. Pugel, *International Economics*, 13th edition, McGraw-Hill/Irwin, 2007. (**graduate/670 text**). ISBN13: 9780073523026

Stephen D. Cohen, Robert A. Blecker, and Peter D. Whitney (CBW), *Fundamentals of U.S. Foreign Trade Policy*, 2nd edition, Westview, 2003. (**for everyone**) ISBN10: 0813398452

Note: ISBN numbers are provided to make sure you get the right books, if you order them elsewhere. *You should only buy one of the first two books plus the third.*

A few additional readings will be made available through Blackboard (as Course Documents or E-Reserves) or on reserve in the library.

Work Requirements and Grading

Exams for everyone: There will be a midterm exam and a final exam. You must take the exams at the scheduled times (see below); exams will **not** be given at any other times.

Problem sets will be provided to help you to review for the exams. Problem sets will *not* be graded and are for use as study guides only.

Graduate students in 670: You will *also* be required to write two 8-10 page essays, one each on trade policy and finance/macro policy (topics to be assigned).

Note: Undergraduates may submit one or both essays *optionally* for “extra credit.”

Class Schedule and Reading List

NOTES: (1) Readings for each date are *subject to change*.
 (2) The professor will be out of town the week of June 16. There may be a guest lecturer and/or one or both classes may have to be rescheduled.

<u>Date</u>	<u>Topic</u>	<u>Readings</u>
Part I. INTERNATIONAL TRADE AND PRODUCTION		
T 5/20	Introduction to Trade Theory; Absolute and Comparative Advantages	Reinert, chs. 1-3 <i>or</i> Pugel, chs. 1-3 CBW, pp. 49-58
Th 5/22	Intra-Industry Trade; Distributional Effects	Reinert, chs. 4-5 <i>or</i> Pugel, chs. 4-6 CBW, pp. 58-72
T 5/27	Trade Policy	Reinert, ch. 6 <i>or</i> Pugel, chs. 8-11 Blecker, ch. 9 in <i>Contemporary Cases in U.S. Foreign Policy</i> (2005 or 2008), on reserve CBW, chs. 1-2, 7
Th 5/29	Trade Agreements, Multilateral and Regional	Reinert, chs. 7-8 <i>or</i> Pugel, ch. 12 CBW, chs. 8, 12 (also pp. 72-73) Blecker, "The North American Economies After NAFTA" (2005) (on Blackboard)
T 6/03	Catch-up and review for midterm	No new readings (we may go over problem sets in class)
Th 6/05	<u>MIDTERM EXAM</u>	
T 6/10	Multinational Enterprises, Globalization of Production, and Migration	Reinert, chs. 9-10, 21 <i>or</i> Pugel, ch. 15 CBW, ch. 13

Part II. INTERNATIONAL FINANCE

Th	6/12	Balance of Payments, Open Economy Macro	Reinert, ch. 12 (incl. Appendices) <i>or</i> Pugel, chs. 16, 22 Class Handouts TBA
T	6/17*	Exchange Rates and Foreign Exchange Markets; Flexible Exchange Rates	Pugel, chs. 17-19 (for <i>all</i> students)**
Th	6/19*	Fixed Exchange Rates, Financial Crises, and Exchange Rate Regimes	Reinert, chs. 15, 17 (ch. 16 optional) <i>or</i> Pugel, chs. 20-21, 23
T	6/24	The Value of the Dollar, the U.S. Trade Deficit, Global Financial Imbalances	CBW, ch. 4 Blecker, new paper on U.S. dollar & trade deficit (title TBA) (on Blackboard) Other readings TBA
Th	6/26	FINAL EXAM	

*The professor will be out of the country for these classes. They will either be taught by guest lecturers or rescheduled.

**Undergraduate students who have not purchased Pugel may read this on reserve in the library.