

Wesleyan University

ECON 270: International Economics

Professor: David J. Kuenzel
dkuenzel@wesleyan.edu
Office: PAC 220

Fall 2016, TR 01:20-02:40, PAC 125
Office Hours: T 3:00-4:00, R 10:30-11:30,
or by appointment

This class examines the economic interactions between countries in the world economy and recent international economic events. The first part of the course will focus on explaining trade patterns between countries and the gains and losses associated with international trade. Trade policies such as tariffs and the institutional arrangements governing them (e.g., the World Trade Organization) will also be analyzed. The second part of the course covers international finance topics including the balance of payments, exchange rates, and the history of the international monetary system. We will also discuss how international linkages between countries affect economic development.

Prerequisites

The course is intended to be accessible for students with an introductory-level background in economics. While you will learn about economic theory and policy in this class, the emphasis will lie on using the tools you encountered in Economics 110 (or 101). Economics majors who want to be exposed to a more advanced treatment of international trade and international finance topics are encouraged to take ECON 371 (offered by me in Spring 2017) and ECON 331.

Course Materials

Books: Dominick Salvatore, *Introduction to International Economics*, 3rd edition (ISBN: 9780470934890).

Douglas A. Irwin, *Free Trade under Fire*, 4th edition (ISBN: 9780691166254)

Note: The e-book version of the book (ISBN: 9781400866182) can be accessed free of charge through the Wesleyan library homepage: [Link](#)

Moodle: I will post additional readings and other course materials (problems sets, practice exams, etc.) on our Moodle course site during the semester.

In addition to completing the readings for the class, I also require you to follow current (international) economic events. Good sources of international economics news are *The Economist*, *The Wall Street Journal*, *Financial Times*, or the business section of *The New York Times* (or a newspaper of similar standing). This is a good way to experience international economics 'in action' and to apply the concepts you learn in class to the real world. You can find links to current subscription offers on the Moodle course site. I will also devote part of some classes to the discussion of current news items.

Course Requirements

There will be two in-class non-comprehensive midterms and a comprehensive final exam, plus regular problem sets. The weights of the different elements for the final course grade are:

- Problem sets (10%): There will be six problem sets over the semester, two of which will be brief writing assignments in place of a collection of shorter questions. Each of them will be assigned one week before the due date. Problem sets are due in class. If you cannot make it to class, you need to contact me and leave your problem set before class in my mailbox (or the alcove) in the Economics department (PAC 123). Late problem sets will not be accepted, and no extensions will be granted. You are encouraged to work together on the problem sets. However, I require an individual write-up by each student.
- Midterm 1 (25%): tentatively scheduled for Thursday, October 6.
- Midterm 2 (25%): tentatively scheduled for Thursday, November 10.
- Final exam (35%): Tuesday, December 13, 7-9pm.
- Class participation (5%): I highly value class participation and encourage you to raise questions and to comment on level, pace and the content of the course during the semester. In addition, I will frequently open topics up for discussion. General guidelines for your class participation grade: frequent absences (or tardiness): *C*, demonstration of good understanding of material through occasional participation in class discussion: *B*, frequent participation in class discussion and raising insightful questions: *A*.

Class Organization

I expect you to complete all assigned readings before coming to class. We will frequently extend the material beyond what you find in the textbook. Prior familiarity with the assigned readings is therefore necessary to follow the material in class.

In order to not divert my or the attention of your classmates, the use of computers, cell phones and other electronic devices is not permitted during class time.

Wesleyan University is committed to ensuring that all qualified students with disabilities are afforded an equal opportunity to participate in and benefit from its programs and services. To receive accommodations, a student must have a documented disability as defined by Section 504 of the Rehabilitation Act of 1973 and the ADA Amendments Act of 2008, and provide documentation of the disability. Since accommodations may require early planning and generally are not provided retroactively, please contact Disability Resources as soon as possible. If you believe that you need accommodations for a disability, please contact Dean Patey in Disability Resources, located in North College, Room 021, or call 860-685-5581 for an appointment to discuss your needs and the process for requesting accommodations. For more information, see also: <http://www.wesleyan.edu/studentaffairs/disabilities/Student/index.html>

Grading and Exams

Midterm exams will not be given at any other times during the term. In case you miss a midterm exam due to illness or another serious emergency, the weight for your final exam will be increased accordingly. If you are not able to make it to an exam due to a serious reason, you have to contact me on the same day and explain what happened. In any case you will have to show proper valid documentation as soon as possible after the missed exam, such as a doctor's note.

In case you believe a grading mistake has been made on a problem set or exam, you may submit a written request for a re-grade within one week after the exam was returned.

Honor Code

I expect you to adhere to the Wesleyan University Honor Code (<http://www.wesleyan.edu/studentaffairs/studenthandbook/20162017StudentHandbook.pdf>). All submitted work, whether it is an exam or problem set, must be your own. Although I encourage you to work together on problem sets, I require an individual write-up by each student and I will not tolerate if you copy others' work. Any academic dishonesty will be reported to the Vice President for Student Affairs and the Student Honor Board.

Tentative Course Schedule*

Note: I=Irwin (4th edt), S=Salvatore (3rd edt)

Class	Date	Reading	Topic	Notes
1	09/06	S (ch. 1), I (ch. 1)	I. The World Economy	
2	09/08			
3	09/13	S (ch. 2)	II. International Trade Theory	
4	09/15	S (ch. 2), I (p. 44-63)		
5	09/20	S (ch. 3)		PS 1 due
6	09/22	S (ch. 3)		
7	09/27	S (ch. 4)		
8	09/29	S (ch. 4/5)		PS 2 due
9	10/04	S (ch. 5)		III. Trade Policy
Midterm 1	10/06			
10	10/11	S (ch. 6.1-6.4), I (p. 77-89, p. 99-107)		
11	10/13	S (ch. 6.5), I (ch. 5)		
12	10/18	S (ch. 6.8-6.10), I (p. 239-252)	IV. The WTO	
13	10/20	I (p. 252-294)		PS 3 due
14	10/27			
15	11/01	S (ch. 10)	V. Balance of Payments and Exchange Rates	
16	11/03	S (ch. 11)		
17	11/08	S (ch. 12.1-12.4)		PS 4 due
Midterm 2	11/10			
18	11/15	S (ch. 12.5-12.8)		

19	11/17	S (ch. 13)	VI. Open Economy Macroeconomics	
20	11/22	S. (ch. 13/15)		
21	11/29	S. (ch. 15/16)	VII. The International Monetary System	PS 5 due
22	12/01	S. (ch. 16)		
23	12/06	S. (ch. 8), I (p. 195-222)	VIII. Openness and Economic Growth	
24	12/08			PS 6 due
Final Exam	12/13			7-9pm

*check regularly for an updated version on Moodle

Additional Readings (all available on Moodle): * indicates required reading

I. The World Economy

**The Economist*, “Why the Tail Wags the Dog,” August 6, 2011.

<http://www.economist.com/node/21525373>

Mauldin, William, “Worries Rise Over Global Trade Slump” September 14, 2015.

<http://on.wsj.com/1UPMT3e>

II. International Trade Theory

**The Economist*, “Bold Strokes,” October 16, 2008.

<http://www.economist.com/node/12429411>

**The Economist*, “An Inconvenient Iota of Truth,” August 6, 2016.

<http://www.economist.com/node/21703350>

Mankiw, Greg, “Ricardo vs. Heckscher-Ohlin,” *Blog Post*, April 28, 2007.

<http://gregmankiw.blogspot.com/2007/04/ricardo-vs-heckscher-ohlin.html>

III. Trade Policy

*Hufbauer, Gary Clyde and Grieco, Paul L.E., “The Payoff from Globalization,” *The Washington Post*, June 7, 2005.

<http://www.washingtonpost.com/wp-dyn/content/article/2005/06/06/AR2005060601508.html>

**The Economist*, “The Battle of Smoot-Hawley,” December 18, 2008.

<http://www.economist.com/node/12798595>

IV. The WTO

*Ossa, Ralph, “WTO Success: No Trade Agreement But No Trade War,” *VoxEU.org*, June 11, 2015.

<http://voxeu.org/article/wto-success-no-trade-agreement-no-trade-war>

Schmidt, John, "How We Created the WTO: A Memoir," *Wilson Quarterly*, Summer 2015.
<http://goo.gl/tiQIaO>

V. Balance of Payments and Exchange Rates

*Federal Reserve Bank of San Francisco, "Is the U.S. Trade Deficit a Problem? What is the Link between the Trade Deficit and Exchange Rates?" *Education Blog*, June 2007.
<http://www.frbsf.org/education/publications/doctor-econ/2007/june/trade-deficit-exchange-rate>

*Feldstein, Martin, "Why the Renminbi Has to Rise to Address Imbalances," *The Financial Times*, October 29, 2009.
<http://scholar.harvard.edu/files/feldstein/files/ft102909-1.pdf>

VI. Open Economy Macroeconomics

*Ghosh, Atish R., Qureshi, Mahvash S. and Tsangarides, Charalambos G., "The Cost of Tying One's Hands," *Finance & Development*, 51(2), June 2014.
<http://www.imf.org/external/pubs/ft/fandd/2014/06/ghosh.htm>

Back, Aaron, "Waiting to Ride Japan's Export Curve," *The Wall Street Journal*, March 11, 2014.
<http://online.wsj.com/news/articles/SB10001424052702303795904579432211509239216>

VII. The International Monetary System

*Eichengreen, Barry, "Why the Dollar's Reign Is Near an End," *The Wall Street Journal*, March 2, 2011.
<http://on.wsj.com/1ziE3Oz>

**The Economist*, "The Global Monetary System: Not Floating, But Flailing," July 5, 2014.
<http://www.economist.com/node/21606322>

Friedman, Milton, "The Euro: Monetary Unity to Political Disunity?" *Project Syndicate*, August 28, 1997.
<http://www.project-syndicate.org/commentary/the-euro--monetary-unity-to-political-disunity>

VIII. Openness and Economic Growth

**The Economist*, "Why Trade Is Good For You," October 1, 1998.
<http://www.economist.com/node/605144>

Jackson, Selina, "Growth and Development: Why Openness to Trade is Necessary but Not Sufficient," *The Brookings Institution – Future Development Blog*, November 23, 2015.
<https://www.brookings.edu/blog/future-development/2015/11/23/growth-and-development-why-openness-to-trade-is-necessary-but-not-sufficient/>