



**UNIVERSITY OF NORTH CAROLINA
DEPARTMENT OF ECONOMICS
INTERNATIONAL ECONOMICS
ECON 460: SEC. 002
PWAD 460: SEC. 002
EURO 460: SEC. 002
Fall 2019**

Instructor: Dr. Geetha Vaidyanathan
Class Meeting Time: Tu & Th: 3:30 p.m. to 4:45 p.m.
Classroom: Gardner Hall 308
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Office: 200H Gardner Hall
E-Mail: geethav@email.unc.edu
Sakai: sakai.unc.edu
Office Hours: Tuesdays and Thursdays: 12:00 noon to 2:00 p.m.
Please take appointment for a meeting at other times. Walk-ins are welcome but please do not come during the half hour before class time.

Prerequisites: ECON 400 and ECON 410 with C grade or above.

Course Objectives: This is an elective course for Economics majors. The main goal of this course is to provide you with a framework to analyze important current issues in International Trade and International Finance.

The course material will give you the tools to

- Apply economic reasoning (using microeconomic theories) about why countries trade.
- Interrogate assumptions of popular trade theories.
- Critically evaluate trade arrangements such as Free Trade Agreements.
- Analyze the effects of trade policy on consumers and producers.
- Debate about the controversy between free trade and protectionism.
- Understand how the balance of payments statement is constructed.
- Analyze the implication of trade imbalances.
- Investigate the foreign exchange market and determinants of exchange rates.
- Analyze how economic shocks affect the foreign exchange rate and balance-of-payments.
- Evaluate different types of exchange rate systems.

- Critically evaluate the role of international institutions such as the IMF and the World Bank.
- Investigate the effects of macroeconomic policy in an open economy.
- Analyze economic events such as the Euro Crisis and Brexit.

Textbook:

Appleyard, Dennis R., and Alfred J. Field, Jr., 9th edition . 7th and 8th editions are very good substitutes.

Very Highly Recommended Materials: *The Wall Street Journal (WSJ)* and *The Economist*.

Some Useful Websites:

- <http://online.wsj.com/>
- <http://www.ft.com/intl/globaleconomy>
- www.economist.com
- www.worldbank.com
- www.imf.org
- http://www.economywatch.com/world_economy/
- <http://www.iie.com>

Calculator: There is no need for a scientific calculator for this class. A simple calculator will be allowed for use in the exam. Programmable calculators or cell-phone calculators will NOT be allowed in the exam.

Homework Assignments: I will be assigning a total of eight problem sets during the session. The best five assignment grades will be used for determining the final grade. These are due on gradescope. Late submissions will NOT be accepted unless there is a documented excusable reason. **Assignments will not be accepted under my office door, in my mailbox or via email.** Students may cooperate on assignments but each student must hand in an individual copy of the assignment that is not a duplicate of another student or source. **If duplicate copies appear, all involved students will be given a zero on the assignment.**

Examinations: Two midterm exams will be given for a total weight of 45%. Students are expected to take the midterms at the announced times. There will be no make-up exams. Please prepare well in advance to schedule your time to avoid conflicts. However if a student has a University approved absence (<https://catalog.unc.edu/policies-procedures/attendance-grading-examination/>), the student can take a make-up exam at a time convenient for both the student and the instructor or choose to shift the weight of the midterm exam to the final exam. A final exam will be given according to the University final exam schedule. The final exam will be 30% of the course grade

Group presentations: Starting September 5, 2019, there will be group presentations on Thursdays except during exam weeks. Please sign up in Sakai to form groups of 5 or 6 students. The topics covered in group presentations will be tested in your exams. Group presentations will have the following components in the evaluation of grades:

Group Presentations – Group members’ peer evaluation	3.0%
Group Presentations – Presentation evaluation	7.0%

Class Participation: Students are expected to be actively engaged in class through “In-class polls” participation by using the response system known as *Poll Everywhere* as well as directly participating in class-discussions and other activities. “In-class poll” participation requires that you have access to a cell phone texting plan or a device that can logon to the University’s Wi-Fi (e.g. tablet, laptop). Please be sure to register with Poll Everywhere before the first poll using instructions provided at poll.unc.edu. ***Please note that if you participate from outside the class in Poll Everywhere, it will be considered a violation of UNC Honor Code.*** You can miss up to 10% of the polls without incurring any penalty but missing beyond 10% of the *Poll Everywhere* activity will reduce your grade proportionately.

Grading weight: The course grade will be assigned using the following weights:

2 Midterm Examinations	45% (20% for lowest test grade and 25% for highest test grade)
Final Exam	30%
Presentations	10%
Homework Assignments	10%
Poll Everywhere	5%

Grading Scale:

At least 93%	A
At least 90% but less than 93%:	A-
At least 87% but less than 90%:	B+
At least 83% but less than 87%	B
At least 80% but less than 83%:	B-
At least 77% but less than 80%:	C+
At least 73% but less than 77%:	C
At least 70% but less than 73%:	C-
At least 67% but less than 70%:	D+
At least 60% but less than 67%:	D
Less than 60%:	F

Grades are earned through the percentage point schedule given above. **No extra credit** of any kind is given to adjust grades at the end of the semester. Percentages are calculated using a spreadsheet software package and results are posted rounded to the first decimal place. Grades are assigned based on these results according to the above scale. **There will be NO “rounding up” to the next grade level.**

Academic Integrity: All students are expected to adhere to the Honor Code (<http://instrument.unc.edu>). Any violation will result in an F for the course, and other sanctions may apply.

Counseling and Psychological Services: CAPS is strongly committed to addressing the mental health needs of a diverse student body through timely access to consultation and connection to clinically appropriate services, whether for short or long-term needs. Go to their website: <https://caps.unc.edu> or visit their facilities on the third floor of the Campus Health Services building for a walk-in evaluation to learn more.

Accessibility Resources & Services: UNC-Chapel Hill facilitates the implementation of reasonable accommodations for students with learning disabilities, physical disabilities, mental health struggles, chronic medical conditions, temporary disability, or pregnancy complications, all of which can impair student success. See the ARS website for contact and registration information: <https://ars.unc.edu/about-ars/contact-us>

Attendance Policy: Regular attendance is strongly recommended. If you miss a class, it is your responsibility to catch up. Be sure to get notes from your classmates. Please stop by during my office hours if you need help with the missed material. Students who are not willing to attend regularly should drop the course.

Laptop Policy: Unless explicitly authorized, you are not permitted to use a laptop computer, tablet computer, smart phone, or cell phone during class. Watching movies and videos, playing games, checking the scores on espn.com, and chatting with your friends are disruptive behavior that will not be tolerated. (Please read <http://www.newyorker.com/tech/elements/the-case-for-banning-laptops-in-the-classroom> about why laptops are banned even in Computer Science courses in some major universities).

Regrade Policy: Please check your grades on Sakai and gradescope periodically. Any grade related issues have to be settled **within a week** after the test or homework is graded. Regrade requests have to be submitted in gradescope. Changes will not be made after a week.

The following is a tentative schedule.

- Please come prepared with the readings.
- Please expect to be assigned additional readings throughout the semester which will be posted on Sakai.
- **The professor reserves the right to make changes to the syllabus, including assignment due dates and test dates.** These changes will be announced as early as possible.

Dates	Topic	Readings from textbook
08/20/19	Introduction	Chapter 1
08/22/19	The Classical Theory of Trade: Early Trade theories – Mercantilism	Chapter 2
08/27/19	Ricardian theory of Comparative Advantage. Trade Triangle in the Classical Model	Chapter 3

08/29/19 09/05/19	Extensions of the Classical Model – Wage limits, Exchange Rate limits, Multi-goods model, Multi-country model.	Chapter 4
09/05/19	Golub, Stephen S and Chang-Tai Hsieh, “Classical Ricardian Theory of Comparative Advantage Revisited”, Review of International Economics, 8(2), 221-234, 2000	
09/10/19 09/12/19	Gains from trade in Neo-Classical Model, Trade Triangle in the Neo-Classical Model, Consumption and Production gains, Gains from trade when demand conditions are identical, Gains from trade when supply conditions are identical, Trade Adjustment Assistance.	Chapter 6
09/12/19 09/17/19	Offer Curves and Terms of Trade	Chapter 7
09/18/19	Q&A Session. Room and Time - TBD	
09/19/19	TEST 1	
09/24/19 09/26/19	The Basis for Trade: Factor Endowments and the Heckscher-Ohlin (HO) Model, Factor Price Equalization Theorem, Stolper-Samuelson Theorem, Violations of HO Model, Specific Factors Model.	Chapter 8
10/01/19	International Trade Policy – Instruments, Nominal and Effective Rates of Protection	Chapter 13
10/03/19 10/08/19 10/10/19 10/15/19 10/22/19 10/24/19	Impact of Trade Policies: Small and Large Country Case - Partial Equilibrium Analysis of Import Tariff, Quota, and Production Subsidy, Export Tax and Quota, Export Subsidy Small Country Case - General Equilibrium Analysis of Import Tariff and Quota Large Country Case – General Equilibrium Analysis of Import Tariff, Import Quota, Export Tax, Export Quota and Export Subsidy.	Chapter 14
10/24/19	Stiglitz, Joseph, 2006. “Social Justice and Global Trade” http://pragmatos.net/2006/03/19/stiglitz-social-justice-and-global-trade/	
10/28/19	Q&A Session: Room and Time - TBD	
10/29/19	TEST 2	
10/31/19 11/05/19	Balance of Payment Accounts – Accounting rules, Current Account transactions, Financial Account transactions, Net International Investment Position	Chapter 19
11/05/19 11/07/19 11/12/19	Foreign Exchange Markets – Effective Exchange Rates, Foreign Exchange Market, Purchasing Power Parity, Currency Arbitrage, Hedging, Speculation,	Chapter 20

11/14/19 11/19/19	Uncovered Interest Parity, Covered Interest Parity	
11/21/19 11/26/19 12/03/19	Monetary Approach and Portfolio Balance Approach, Exchange Rate Overshooting – Salvatore – Chapter 15 – See Sakai	
12/11/19	Q & A SESSION: Room and Time - TBD	
12/12/19	4:00 P.M.	