UNIVERSITY OF NORTH CAROLINA
DEPARTMENT OF ECONOMICS
INTERNATIONAL ECONOMICS
ECON 460: SEC. 001 & 002
PWAD 460: SEC. 001 & 002
EURO 460: SEC. 001 & 002
Fall 2015

Instructor:	Dr. Geetha Vaidyanathan
Class Meeting Time:	MWF: 1:25 p.m. to 2:15 p.m. – SEC. 001
	MWF: 2:30 p.m. to 3:20 p.m. – SEC. 002
Classroom:	Gardner 309
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Office:	200H Gardner Hall
E-Mail:	geethav@email.unc.edu
Sakai:	sakai.unc.edu
Office Hours:	MW: 9:30 a.m. to 10:45 a.m.
	Th: 1:30 p.m. to 3:30 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 410 or permission of the instructor

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 cover the following specific topics:
- the economic reasoning (using microeconomic theories) about why countries trade.
- the effects of trade policy on consumers and producers.
- the controversy between free trade and protectionism.
- how the balance of payments statement is constructed.
- the implication of trade imbalances.
- the determinants of exchange rates.
- different types of exchange rate systems.
- the effects of macroeconomic policy in an open economy.

Textbook:
Appleyard, Dennis R., and Alfred J. Field, Jr., 8th edition . The 6th and 7th editions are very good substitutes.

Companion Website:
www.mhhe.com/appleyard8e

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

Homework Assignments: I will be assigning a total of eight problem sets during the session. The best six assignment grades will be used for determining the final grade. These are due at the beginning of the class on the due dates. Late submissions will result in a 25 point penalty for each 24 hour delay. Please note that assignments WILL NOT be accepted after the answer key is posted. **Assignments will not be accepted under my office door, in my mailbox or via email. Hardcopies have to be submitted in person to me either in the class or in my office.** 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 and each will be 25% of the final course grade. Students are expected to take the midterms at the announced times. Exceptions may be made in rare cases and a legitimate excuse may need to be accompanied by proof. A final exam will be given according to the University final exam schedule. The final will be 30% of the course grade. If a student misses an exam with an excusable reason, the weight on the final exam will be increased.

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.

Group presentations: Starting August 28th, there will be group presentations on Fridays except during exam weeks. Please sign up in "doodle" to form groups of 5 students and select one topic. While I will assign some of the topics, your input will also be used to select topics. The topics covered in group presentations will be tested in your exams.

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

2 Midterm Examinations	50%
Homework Assignments	12%
Group Presentations – Peer Evaluation	4%
Group Presentations – Teacher Evaluation	4%
Final Exam	30%

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.

Miscellaneous:
1. Regular attendance is required for understanding the material and doing well in the course.
2. Please check *Announcements* in Sakai regularly for updates on readings, homework help sessions and other announcements.
3. 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).
4. If you miss a class, it is your responsibility to catch up.

5. Please check your grades on Sakai periodically. Any grade related issues have to be settled **within a week** after the test or homework is returned. Please attach a **short petition/note with the test/homework.** Changes will not be made after a week.

The following is a tentative schedule. I will also be posting weekly reading schedule on Sakai. Please expect to be assigned additional readings throughout the semester. **The professor reserves to 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
08/19/15	Introduction	Chapter 1
08/21/15 08/24/15	The Classical Theory of Trade: Early Trade theories – Mercantilism and Ricardian theory of Comparative Advantage. Trade Triangle in the Classical Model	Chapters 2 & 3
08/26/15 08/28/15 08/31/15	Extensions of the Classical Model – Wage limits, Exchange Rate limits, Multi-goods model, Multi-country model.	Chapter 4
	Review of Microeconomics – Please do this on your own	Chapter 5
09/02/15 09/04/15 09/09/15 09/11/15	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, Gaines from trade when supply conditions are identical, Trade Adjustment Assistance.	Chapter 6
09/14/15 09/16/15 09/18/15 09/21/15	Offer Curves and Terms of Trade	Chapter 7
09/22/15	**Q&A SESSION FOR TEST 1 @ 5:00 P.M. ROOM TBD.**	
09/23/15	**TEST 1**	
09/25/15 09/28/15 09/30/15 10/02/15	The Basis for Trade: Factor Endowments and the Heckscher-Ohlin (HO) Model, Factor Price Equalization Theorm, Stopler-Samuelson Theorem, Violations of HO Model, Specific Factors Model.	Chapter 8
10/05/15	International Trade Policy – Instruments, Nominal and Effective Rates of Protection	Chapter 13
10/07/15 10/09/15 10/12/15 10/14/15 10/19/15	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	Chapter 14

	Large Country Case – General Equilibrium Analysis of Import Tariff, Import Quota, Export Tax, Export Quota and Export Subsidy.	
10/21/15	Anne O.Krueger, 1998. "Why Trade Liberalization is Good for Growth," *Economic Journal,* 108 (450): pages 1513-1522	
10/23/15	Stigliz, Joseph, 2006. "Social Justice and Global Trade" http://pragmatos.net/2006/03/19/stiglitz-social-justice-and-global-trade/	
10/25/15	**Q&A SESSION FOR TEST 2 @ 5:00 P.M. – THIS IS A SUNDAY MEETING** **ROOM TBD**	
10/26/15	**TEST 2**	
10/28/15 10/30/15	Balance of Payment Accounts – Accounting rules, Current Account transactions, Financial Account transactions, Net International Investment Position	Chapter 19
11/02/15 11/04/15 11/06/15 11/09/15 11/11/15	Foreign Exchange Markets – Effective Exchange Rates, Foreign Exchange Market, Purchasing Power Parity, Currency Arbitrage, Hedging, Speculation, Uncovered Interest Parity, Covered Interest Parity	Chapter 20
11/13/15	*"Getting Carried Away: How the Carry Trade and Its Potential Unwinding Can Explain Movements in International Financial Markets"* by Jeffrey Frankel http://www.hks.harvard.edu/fs/jfrankel/CarryTradeNov19-2007.pdf	
11/16/15 11/18/15 11/20/15	Monetary Approach and Portfolio Balance Approach, Exchange Rate Overshooting – Salvatore – Chapter 15 – See Sakai	
11/23/15 11/30/15	Price Adjustments and Balance of Payments – Elasticity Approach	Chapter 23
12/02/15	Last Day of Class – Wrap Up	
12/03/15	**READING DAY - Q & A SESSION AT 5:00 P.M. ROOM TBD**	
12/04/15	4**:00 P.M. - FINAL EXAM FOR SECTION 002 (2:30 P.M. CLASS)**	

12/06/15	**Q & A SESSION AT 5:00 P.M. ROOM TBD – THIS IS A SUNDAY SESSION**	
12/07/15	**12:00 NOON - FINAL EXAM FOR SECTION 001 (1:25 P.M. CLASS)**	