UNIVERSITY OF NORTH CAROLINA
DEPARTMENT OF ECONOMICS
ECON 460: INTERNATIONAL ECONOMICS
Spring 2014

Instructor: Dr. Geetha Vaidyanathan
Class Meeting Time: Tue. & Thu. @ 11:00 a.m. in GA 308
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Office: 200H Gardner Hall
E-Mail: geethav@email.unc.edu
Office Hours: Tue: 9:15 a.m. to 10:30 a.m.
Wed: 1:00 p.m. to 3:00 p.m.
Thu: 12:30 p.m. to 1:30 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 310 (100) or ECON 410 (101) or permission of the instructor

Course Objectives: The purpose of the course is to understand
- 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 relationship between macroeconomic variables in an open economy.
- the effects of monetary and fiscal policy in an open economy.

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

Companion Website:
www.mhhe.com/appleyard7e

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 35% 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 January 23rd, there will group presentations on current events every Thursday except during exam weeks. Please sign up in doodle to form groups of 4 or 5 students and select one topic. While I will assign some of the topics, your input will also be used to select some topics. The topics covered in group presentations will also 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 63% but less than 67%:   D
At least 60% but less than 63%:   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.**

Miscellaneous:
1. Regular attendance is required for understanding the material and doing well in the course.
2. When you are in class, please pay attention which means no newspapers, facebook, IM, etc.
3. Cheating will not be tolerated. UNC Honor Code will be strictly enforced for all course work. Please refer to honor.unc.edu if you have any questions about the honor code.
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. Please expect to be assigned additional readings throughout the semester.

    I.   International Trade – The Classical and Neoclassical Models:
        (i)   Introduction – Chapter 1
        (ii)   The Classical Theory of Trade: Early Trade theories – Mercantilism and Ricardian theory of Comparative Advantage – Chapters 2 and 3
        (iii)   Extensions of the Classical Model – Chapter 4
        (iv)   Review of Microeconomics – Chapter 5 – PLEASE REVIEW THIS ON YOUR OWN
        (v)   Gains from Trade in Neoclassical Theory – Chapter 6
        (vi)   Offer Curves and Terms of Trade – Chapter 7
               MIDTERM TEST 1 IS ON FEBRUARY 6, 2014

II.   International Trade (Continued) and Trade Policy
    (i)   The Basis for Trade: Factor Endowments and the Heckscher-Ohlin (HO) Model – Chapter 8
    (ii)   International Trade Policy – Chapter 13 – PLEASE COME PREPARED WITH DEFINITIONS FOR TERMS DISTRIBUTED IN CLASS
    (iii)   Impact of Trade Policies – Chapter 14
    (iv)   Anne O.Krueger, 1998. "Why Trade Liberalization is Good for Growth," *Economic Journal,* 108 (450): pages 1513-1522
    (v)   Stigliz, Joseph, 2006. "Social Justice and Global Trade" http://pragmatos.net/2006/03/19/stiglitz-social-justice-and-global-trade/

MIDTERM TEST 2 IS ON MARCH 18, 2014

III.   International Finance
    (i)   Balance of Payments Accounts – Chapter 19
    (ii)   Foreign Exchange Market – Chapter 20
    (iii)   *"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
    (iv)   Monetary and Portfolio Approach to Balance of Payments – Reading – CHAPTER 15 from Salvatore
    (v)   Price Adjustments and Balance of Payments – Chapter 23
    (vi)   National Income and the Current Account – Chapter 24
    (vii)   Policy in the Open Economy under fixed and flexible exchange rate systems – Chapters 25 & 26

FINAL EXAM IS ON APRIL 29, 2014 AT 12:00 NOON