



**UNIVERSITY OF NORTH CAROLINA  
DEPARTMENT OF ECONOMICS  
ECON 460: INTERNATIONAL ECONOMICS  
SPRING 2013**

**Instructor:** Dr. Geetha Vaidyanathan  
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**Office Hours:** Mon. & Fri: 9:15 a.m. to 10:30 a.m.  
I will be posting extra office hours every week on Sakai. 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:** 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*, 7<sup>th</sup> edition . The 6<sup>th</sup> edition is a good substitute.

**Companion Website:**

[www.mhhe.com/appleyard7e](http://www.mhhe.com/appleyard7e)

**Very Highly Recommended Materials:**

*The Wall Street Journal (WSJ)*. For free access to the WSJ go to <http://eresources.lib.unc.edu/eid/>; under “By Title” click on “P” and scroll down to “ProQuest Newspapers” and click on the link. If you are off campus, then you will need to provide your

onyen and password. Once you are in the ProQuest database click on the “Publications” tab and then click on the link entitled “Wall Street Journal” to access the complete text.

*The Economist*. For free access to the complete text of *The Economist* go to <http://vb3lk7eb4t.search.serialssolutions.com/?V=1.0&L=VB3LK7EB4T&S=JCs&C=ECONLON&T=marc>

**Homework Assignments:** Eight homework assignments will be given during the course of the semester. Due dates for homework assignments will be announced on Sakai. Assignments will be due in class on the due dates and assignments submitted after the due time will have a 20 point penalty each day. Assignments will not be accepted via email, under the office door or in the Economics department office. Also, assignments will not be accepted after the answer key is posted. Assignments that require more than one page must be stapled. Assignments done on paper torn from a spiral notebook may NOT be graded. 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.**

**Midterm 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. 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. **NO EXCEPTIONS PLEASE.**

**Comprehensive Final:** A comprehensive final will be given according to the University final exam schedule. The final will be 35% of the course grade.

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

Homework Assignments	15%
2 Midterm Examinations	50%
A Comprehensive Final Exam	35%

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.**

**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
- (v) Gains from Trade in Neoclassical Theory – Chapter 6
- (vi) Offer Curves and Terms of Trade – Chapter 7

**MIDTERM TEST 1 IS ON FEBRUARY 11, 2013**

II. International Trade (Continued) and Trade Policy

- (i) The Basis for Trade: Factor Endowments and the Heckscher-Ohlin (HO) Model – Chapter 8
- (ii) Post HO theories of Trade – Chapter 10
- (iii) International Trade Policy – Chapter 13
- (iv) Impact of Trade Policies – Chapter 14
- (v) Arguments for Interventionist Trade Policies – Chapter 15
- (vi) “Is Free Trade Passe?”, Paul R Krugman, *The Journal of Economic Perspectives*, pp.1986-1998, Fall 1987

**MIDTERM TEST 2 IS ON MARCH 20, 2013**

III. International Finance

- (i) Balance of Payments Accounts – Chapter 19
- (ii) Foreign Exchange Market – Chapter 20
- (iii) Monetary and Portfolio Approach to Balance of Payments – Handout
- (iv) Price Adjustments and Balance of Payments – Chapter 23
- (v) National Income and the Current Account – Chapter 24
- (vi) Policy in the Open Economy under fixed and flexible exchange rate systems – Chapters 25 & 26

**FINAL EXAM IS ON MAY 3, 2013 @ 12:00 NOON**