



**UNIVERSITY OF NORTH CAROLINA  
DEPARTMENT OF ECONOMICS  
INTERNATIONAL ECONOMICS  
ECON 460: SEC. 001  
SUMMER SESSION I, 2020**

**Instructor:** Dr. Geetha Vaidyanathan  
**Class Meeting Time:** MTWRF: 9:45 a.m. to 11:15 a.m.  
**Phone:** 919-966-5395  
**Zoom id for class:** <https://unc.zoom.us/j/97462237153>  
**E-Mail:** [geethav@email.unc.edu](mailto:geethav@email.unc.edu)  
**Sakai:** sakai.unc.edu  
**Office Hours:** MTWRF: 3:00 p.m. to 4:00 p.m. Please sign-up in calendly (calendly.com/ggggvvvv) to meet in zoom.

**Prerequisites:** C or higher grade in ECON 400 and ECON 410 (or **Pass** if taken in Spring 2020)

**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.

**Required Materials:**

- Textbook: Appleyard, Dennis R., and Alfred J. Field, Jr., 9<sup>th</sup> edition . The 7<sup>th</sup> and 8<sup>th</sup> editions are very good substitutes.
- Reliable Internet Connection: The course will be taught remotely and exams will be administered online.
- Zoom: Please sign up at [unc.zoom.us](http://unc.zoom.us). You can use your phone, computer or tablet to access zoom. Please turn on your video if possible. At the minimum, please display your photo.
- Gradescope ([www.gradescope.com](http://www.gradescope.com)): Assignments and some test materials will need to be submitted in Gradescope. I will register you in Gradescope by May 14, 2020. Please make sure that your submissions in gradescope are readable, properly oriented and ordered numerically. Please use this link <https://www.gradescope.com/help#help-center-section-student-workflow> if you have any questions about using Gradescope.

**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](http://www.economist.com)
- [www.worldbank.com](http://www.worldbank.com)
- [www.imf.org](http://www.imf.org)
- [http://www.economywatch.com/world\\_economy/](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 five assignment grades will be used for determining the final grade. Late submissions WILL NOT be accepted. **Homework assignments have to be submitted in Gradescope. It will not be accepted via email.** Students may cooperate on assignments but each student must submit 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.**

**Journal Entries:** You will write a total of FOUR journal entries on specific current issues related to International trade and finance. The topics for the journal entries will be posted in Sakai along with the specific requirements and due dates. The entries have to be submitted in Gradescope. This activity counts towards 10% of the total course grade.

**Review Questions:** I will be posting review questions in Sakai on most days for a total of **TWENTY** days. If you score 50% or above on FIFTEEN of those days, your final grade will be bumped to the next level. For instance, if you get a B- in the course based on the grading weights and grading scale defined above, your grade will be bumped up to a B.

**Examinations:** Exams will be open-book open-notes. However, you CANNOT get help from anyone or provide help to anyone. Furthermore, if you know of anyone who has provided or sought help to take an exam, you have an obligation to report it to me and/or to the Honor Court. 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. **Please note that the exam has to be taken during class time.** The exam will be administered in Sakai and Gradescope. A final exam will be given according to the University final exam schedule. The final exam will be 30% of the course grade. If a student misses an exam with an excusable reason, a make-up can be taken within two days of missing the exam. Alternatively, the weight of the final exam can be increased.

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

2 Midterm Examinations@25% each	50%
Homework Assignments	10%
Journal Entries	10%
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 with the “bump” for satisfactory completion of “Review Questions”. **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.**

**Emergency Grading:** Please refer to <https://registrar.unc.edu/files/2020/03/emergency-grading-accomodation.pdf>

**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. Please go to their website: <https://caps.unc.edu>.

**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>. For students who qualify for extended time for tests, extra time will be given when the exam is administered online.

**Diversity Policy:** I value the perspectives of individuals from all backgrounds reflecting the diversity of our students. I broadly define diversity to include race, gender identity, national origin, ethnicity, religion, social class, age, sexual orientation, political background, and physical and learning ability. I strive to make this course an inclusive space for all students. Please let me know if there is anything I can do to improve, I appreciate suggestions.

**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.

**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. You should expect to devote about 2 hours to 3 hours per day outside class time to complete the course successfully.

The following is a tentative schedule. Please expect to be assigned additional readings throughout the session. **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
05/13/20	Introduction The Classical Theory of Trade: Early Trade theories – Mercantilism	Chapters 1 & 2
05/14/20 05/15/20	Ricardian theory of Comparative Advantage. Trade Triangle in the Classical Model	Chapter 3
05/15/20 05/18/20	Extensions of the Classical Model – Wage limits, Exchange Rate limits, Multi-goods model, Multi-country model.  Golub, Stephen S and Chang-Tai Hsieh, “Classical Ricardian Theory of Comparative Advantage Revisited”, Review of International Economics, 8(2), 221-234, 2000	Chapter 4

	Review of Microeconomics – Please do this on your own	Chapter 5
05/18/20 05/19/20	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
05/19/20 05/20/20	Offer Curves and Terms of Trade	Chapter 7
05/20/20	<b>Q&amp;A SESSION FOR TEST 1 – 7:30 pm in Zoom</b>	
05/21/20	<b>TEST 1</b>	
05/22/20 05/26/20	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
05/26/20	International Trade Policy – Instruments, Nominal and Effective Rates of Protection	Chapter 13
05/27/20 05/28/20 05/29/20 06/01/20	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
06/01/20	Stiglitz, Joseph, 2006. “Social Justice and Global Trade” <a href="http://pragmatos.net/2006/03/19/stiglitz-social-justice-and-global-trade/">http://pragmatos.net/2006/03/19/stiglitz-social-justice-and-global-trade/</a>	
06/01/20	<b>Q&amp;A SESSION FOR TEST 2 @ 7:30 pm in Zoom</b>	
06/02/20	<b>TEST 2</b>	
06/03/20	Balance of Payment Accounts – Accounting rules, Current Account transactions, Financial Account transactions, Net International Investment Position	Chapter 19
06/04/20 06/05/20 06/08/20 06/09/20 06/10/20	Foreign Exchange Markets – Effective Exchange Rates, Foreign Exchange Market, Purchasing Power Parity, Currency Arbitrage, Hedging, Speculation, Uncovered Interest Parity, Covered Interest Parity,	Chapter 20

06/11/20 06/12/20 06/15/20	Monetary Approach and Portfolio Balance Approach, Exchange Rate Overshooting – Salvatore – Chapter 15 – See Sakai	Chapter 15 from Salvatore – posted in Sakai.
06/16/20	<b>Q &amp; A SESSION @7:30 pm in Zoom</b>	
	<b>Final Exam is on the date determined by the University.</b>	