



**UNIVERSITY OF NORTH CAROLINA  
DEPARTMENT OF ECONOMICS  
INTERNATIONAL ECONOMICS  
ECON 460: SEC. 001  
Summer Session I 2021**

**Instructor:** Dr. Geetha Vaidyanathan  
**Class Meeting Time:** SEC.001: MTWRF– 11:30 am to 1:00 pm  
**Classroom:** SEC 001: <https://unc.zoom.us/j/95263460809> Passcode: 460

**Mode of Teaching** Mode 3: Synchronous Remote  
**Phone:** 919-966-5395  
**Office:** <https://unc.zoom.us/j/94390154368> PassCode: 460  
**E-Mail:** [geethav@email.unc.edu](mailto:geethav@email.unc.edu)  
**Sakai:** sakai.unc.edu  
**Office Hours:** **Sign-up at [calendly.com/ggggvvvv](https://calendly.com/ggggvvvv)**  
**M & Th: 2:00 pm to 3:30 pm**  
**T & W: 9:30 am to 11:00 am**

**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:**

“International Economics” by Appleyard, Dennis R., and Alfred J. Field, Jr., 9<sup>th</sup> edition . The 8 edition is a very good substitute.

**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 assignments will be graded for COMPLETION. 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 via email.** Students may cooperate on assignments but each student must submit their own 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 50%. Students are expected to take the midterms at the announced times **SYNCHRONOUSLY**. 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.

**Exams will be open-book open-notes. However, you CANNOT take the help of others or give help to others via text message, phone, chat, video call, in person or in any other form. If you find out that a classmate has taken or given help, you have a responsibility to report it to me and to the Honor Court. Furthermore, you cannot take photos or videos of the exams.**

**Review Questions:** I will be posting questions for periodic review in Sakai. Each review will have five or six questions, and you will get 20 minutes to answer them. You can answer each set

of review questions twice and the higher score will be recorded. There will be a total of TEN reviews. **The lowest TWO Review Grades will be dropped.**

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

|                        |     |
|------------------------|-----|
| 2 Midterm Examinations | 50% |
| Final Exam             | 30% |
| Review Questions       | 10% |
| Homework Assignments   | 10% |

**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  |

**Grading Scale for Graduate Students:**

|                                 |   |
|---------------------------------|---|
| At least 90%:                   | H |
| At least 80% but less than 90%: | P |
| At least 70% but less than 80%: | L |
| Below 70%:                      | 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. I will be posting recorded lectures after each class.

**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.

**Title IX Resources:** Any student who is impacted by discrimination, harassment, interpersonal (relationship) violence, sexual violence, sexual exploitation, or stalking is encouraged to seek resources on campus or in the community. Please contact the Director of Title IX Compliance (Adrienne Allison – [Adrienne.allison@unc.edu](mailto:Adrienne.allison@unc.edu)), Report and Response Coordinators in the Equal Opportunity and Compliance Office ([reportandresponse@unc.edu](mailto:reportandresponse@unc.edu)), Counseling and Psychological Services (confidential), or the Gender Violence Services Coordinators ([gvsc@unc.edu](mailto:gvsc@unc.edu); confidential) to discuss your specific needs. Additional resources are available at [safe.unc.edu](http://safe.unc.edu).

**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 |
|----------------------|--|------------------------|
| 05/19/21             | Introduction   | Chapter 1              |
| 05/19/21<br>05/20/21 | The Classical Theory of Trade: Early Trade theories<br>(Continued) | Chapter 2              |

|  |  |            |
|--|--|------------|
| 05/20/21<br>05/21/21                         | Ricardian theory of Comparative Advantage. Trade Triangle in the Classical Model   | Chapter 3  |
| 05/21/21<br>05/24/21                         | Extensions of the Classical Model – Wage limits, Exchange Rate limits, Multi-goods model, Multi-country model.   | Chapter 4  |
| 05/24/21                                     | Golub, Stephen S and Chang-Tai Hsieh, “Classical Ricardian Theory of Comparative Advantage Revisited”, Review of International Economics, 8(2), 221-234, 2000  |            |
| 05/25/21<br>05/26/21                         | 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  |
| 05/27/21                                     | Offer Curves and Terms of Trade  | Chapter 7  |
| 05/27/21                                     | <b>Q&amp;A Session at 7:00 pm</b>  |            |
| 05/28/21                                     | <b>TEST 1</b>  |            |
| 06/01/21                                     | 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  |
| 06/02/21                                     | International Trade Policy – Instruments, Nominal and Effective Rates of Protection  | Chapter 13 |
| 06/03/21<br>06/04/21<br>06/07/21<br>06/08/21 | Impact of Trade Policies:<br>Small and Large Country Case - Partial Equilibrium Analysis of Import Tariff, Quota, and Production Subsidy, Export Tax and Quota, Export Subsidy<br>Small Country Case - General Equilibrium Analysis of Import Tariff and Quota<br>Large Country Case – General Equilibrium Analysis of Import Tariff, Import Quota, Export Tax, Export Quota and Export Subsidy. | Chapter 14 |
| 06/08/21                                     | Stiglitz, Joseph, 2006. “Social Justice and Global Trade”<br><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>   |            |
| 06/09/21                                     | <b>TEST 2</b>  |            |

|  |   |            |
|--|---|------------|
| 06/10/21   | Balance of Payment Accounts – Accounting rules, Current Account transactions, Financial Account transactions, Net International Investment Position   | Chapter 19 |
| 06/11/21<br>06/14/21<br>06/15/21<br>06/16/21<br>06/17/21 | Foreign Exchange Markets – Effective Exchange Rates, Foreign Exchange Market, Purchasing Power Parity, Currency Arbitrage, Hedging, Speculation, Uncovered Interest Parity, Covered Interest Parity | Chapter 20 |
| 06/18/21<br>06/21/21                                     | Monetary Approach and Portfolio Balance Approach, Exchange Rate Overshooting – Salvatore – Chapter 15 – See Sakai   |            |
| Final Exam   | <b>June 23, 2021 @11:30 am</b>  |            |