



**UNIVERSITY OF NORTH CAROLINA DEPARTMENT OF ECONOMICS
INTERNATIONAL ECONOMICS**

ECON 460: SEC. 001

PWAD 460: SEC. 001

EURO 460: SEC. 001

Spring 2024

Instructor: Dr. Geetha Vaidyanathan
Class Meeting Time: M&W – 1:25 pm to 2:40 pm
Classroom: Gardner Hall 309
Office: In-person meetings: Gardner Hall 200H
E-Mail: geethav@email.unc.edu
Canvas: canvas.unc.edu
Office Hours: **By appointment only: Sign-up in calendly.com/ggggvvvv**
In-person
M & W: 3:00 pm to 4:30 pm

In Zoom only
Tuesdays: 10:00 am to 12:00 pm

Prerequisites: ECON 400 and ECON 410 with at least a C.

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, producers and society.
- 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 WTO, IMF

and the World Bank.

- Investigate the effects of macroeconomic policy in an open economy.

IDEAs in Action Curriculum: This course meets the **Global Understanding and Engagement** focus capacity of the IDEAs in Action Curriculum.

Students study and engage with global processes shaping the world and its peoples, including those beyond the North Atlantic region (United States, Canada, and Western Europe). They develop deep knowledge of historic or contemporary roles and differential effects of human organizations and actions on global systems.

Questions for Students

1. What forces connect and distinguish the experiences of peoples, societies, and human organization around the world?
2. How can I understand and compare differing worldviews?
3. What connections and differences exist between particular worldviews, experiences, societies, or power structures?
4. What ideas, approaches, and international sources allow scholars to compare societies?

Learning Outcomes

1. Classify and analyze diverse historical, social, and political exchanges that shape nations, regions, and cultural traditions of the world.
2. Translate among contrasting civic cultures, social values, and moral commitments that characterize differences among peoples and societies, including those beyond the North Atlantic region.
3. Assess ways that political and economic institutions shape contemporary global relations.
4. Explain human and environmental challenges that transcend national borders.

Recurring Capacities

Focus capacity classes sustain the **recurring capacities** of inquiry that guide the general education mission. As appropriate to the course's topic, each class should:

- Pose problems and questions that require systematic thinking about evidence, argument and uncertainty;
- Consider its content in the context of human difference between and within societies; the full range of legitimate debate in its field; and/or change over time
- Require
 - Writing totaling at least 10 pages in length, or the intellectual equivalent.
 - Presenting material to the class, small groups, or the public through oral presentations, webpages, or other means that enable corroboration of fact and argument.
 - Collaborating in pairs or groups to learn, design, solve, create, build, research or

similar.

Textbook:

[International Economics](#) by Taylor and Feenstra, Fifth edition. The prices from the publisher's website are below:

▶ E-book ISBN:9781319343958	from \$86.99
▶ Achieve Essentials	from \$109.99
▶ Loose-Leaf ISBN:9781319344023	\$147.99
▶ Paperback ISBN:9781319218508	from \$102.99

The 2nd, 3rd and 4th editions of the textbook are good substitutes. Please note that I will not be using Achieve for assignments.

I will also be using readings from other sources which will be made available on canvas.

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 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%. A final exam will be given according to the University final exam schedule. The final exam will be 30% of the course grade. Please prepare well in advance to schedule your time to avoid conflicts. Exams will consist of Multiple Choice Questions, True/False questions, graphs, numerical problems and short essays.

Class Attendance and Participation: Class attendance and class participation are very important to be successful in the course. I will be taking attendance every day. **You can miss up to FOUR days** without losing points for attendance and participation. Any absences after that will result in a pro-rated penalty. Attendance alone is not sufficient to earn participation grades. You will have to come prepared with readings and contribute to class discussions.

Make-up Exam Policy: 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 within ONE week of the schedule date or choose to shift the weight of the midterm exam to the final exam.

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

2 Midterm Examinations@25% each	50%
Final Exam	30%
Attendance and Class participation	7.5%
Homework Assignments @ 2.5% each	12.5%

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.**

University Attendance Policy: As stated in the University’s Class Attendance Policy, no right or privilege exists that permits a student to be absent from any class meetings, except for these University Approved Absences: 1. Authorized University activities: University Approved Absence Office (UAAO) website provides information and FAQs for students and FAQs for faculty related to University Approved Absences 2. Disability/religious observance/pregnancy, as required by law and approved by Accessibility Resources and Service and/or the Equal Opportunity and Compliance Office (EOC) 3. Significant health condition and/or personal/family emergency as approved by the Office of the Dean of Students, Gender Violence Service Coordinators, and/or the Equal Opportunity and Compliance Office (EOC).

Academic Integrity/ Honor Code: All students are expected to follow the guidelines of the UNC Honor Code. In particular, students are expected to refrain from “lying, cheating, or stealing” in the academic context. If you are unsure about which actions violate the Honor Code, please see me or consult studentconduct.unc.edu.

Artificial Intelligence policy: Use of generative AI tools of any kind is not permitted in this course. Any use of these tools will be considered an instance of academic dishonesty and will be referred to the Honor System.

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>

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), Report and Response Coordinators in the Equal Opportunity and Compliance Office (reportandresponse@unc.edu), Counseling and

Psychological Services (confidential), or the Gender Violence Services Coordinators (gvsc@unc.edu; confidential) to discuss your specific needs. Additional resources are available at safe.unc.edu.

Acceptable Use Policy: By attending the University of North Carolina at Chapel Hill, you agree to abide by the University of North Carolina at Chapel Hill policies related to the acceptable use of IT systems and services. The Acceptable Use Policy (AUP) sets the expectation that you will use the University's technology resources responsibly, consistent with the University's mission. In the context of a class, it's quite likely you will participate in online activities that could include personal information about you or your peers, and the AUP addresses your obligations to protect the privacy of class participants. In addition, the AUP addresses matters of others' intellectual property, including copyright. These are only a couple of typical examples, so you should consult the full Information Technology Acceptable Use Policy, which covers topics related to using digital resources, such as privacy, confidentiality, and intellectual property. Additionally, consult the Safe Computing at UNC website for information about data security policies, updates, and tips on keeping your identity, information, and devices safe.

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 Canvas.
- **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: Taylor and Feenstra (T&F)
01/10/24	Topic 1: Introduction	Class notes Chapter 1 in T & F
01/17/24 01/22/24	Topic 2: The Ricardian/Classical Model	Chapter 2 in T & F
01/24/24	Topic 3: Extensions of the Classical Model – Wage limits, Exchange Rate limits, Multi-goods model, Multi-country	Reading 1 (posted in Canvas)
01/29/24	Reading: Golub, Stephen S and Chang-Tai Hsieh, "Classical Ricardian Theory of Comparative Advantage Revisited", Review of International Economics, 8(2), 221-234, 2000	Reading 2 (posted in Canvas)

01/31/24	Topic 4: Gains from trade in Neo-Classical Model, Trade Triangle in the Neo-Classical Model, Consumption and Production gains.	Reading 3 (posted in Canvas)
02/05/24 02/07/24	Topic 5: The Specific-Factors Model	Chapter 3 in T&F
02/14/24	Trade Integration – Types of Integration; International Institutions	Class Notes
02/19/24	TEST 1	
02/21/24 02/26/24	Topic 6: The Basis for Trade: Factor Endowments and the Heckscher-Ohlin (HO) Model, Stopler-Samuelson Theorem, Violations of HO Model.	Chapter 4 in T&F
02/28/24 03/04/24	Topic 7: Import Tariffs and Quotas under Perfect Competition	Chapter 8 in T&F
03/06/24 03/18/24	Topic 8: Export Subsidies in Agriculture and High-Technology Industries	Chapter 10 in T&F
03/20/24	Stiglitz, Joseph, 2006. “Social Justice and Global Trade” http://pragmatos.net/2006/03/19/stiglitz-social-justice-and-global-trade/	Reading 4 (posted in Canvas)
03/25/24	TEST 2	
03/27/24	Topic 9: Balance of Payment Accounts – Accounting rules,	Reading 5 (posted in Canvas)
04/01/24	Current Account transactions, Financial Account transactions, Net International Investment Position	
04/03/24 04/08/24 04/10/24 04/15/24 04/17/24	Topic 10: Foreign Exchange Markets – Effective Exchange Rates, Foreign Exchange Market, Purchasing Power Parity, Currency Arbitrage, Hedging, Speculation, Uncovered Interest Parity, Covered Interest Parity	Reading 6 (posted in Canvas)
04/22/24 04/24/24 04/29/24	Topic 11: Monetary Approach and Portfolio Balance Approach, Exchange Rate Overshooting – Salvatore – Chapter 15 – See Sakai	Reading 7 (posted in Canvas)

Final Exam	May 7, 4:00 pm	
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