

EC310 Global Economics

(Fall 2018)

Seminar Leader: Beatrice Farkas

Course Times: Wed 9:00-10:30, and Fri 9:00-10:30

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Course Description

This course provides an overview of international economics in today's interconnected world. International economics is split neatly into two parts: international trade and international finance. This division essentially coincides with the distinction between the microeconomics and macroeconomics of the open economy.

The first part examines theories of international trade and analyzes the consequences of trade policies. We analyze why countries trade, what they trade, who gains (or loses) from trade, and the effects of trade policies. The second part entails topics in international finance and examines the macroeconomics of open economies. We look into exchange rate determination and monetary policy making under different exchange rate regimes. The discussions will focus on macroeconomic policies in open economies .

Learning outcomes:

- Analyze international trade and specialization using the theory of comparative advantage, and assess the effects of trade on incomes, economic growth, and distribution.
- Describe and analyze the economic effects of international agreements and institutions.
- Analyze the effects of international financial markets on the domestic economy.

Requirements

Pre-requisites: Students taking this class should have already had successfully completed the classes: *Principles of Economics, Microeconomics, and Macroeconomics* .

You should be familiar with high school level differential calculus and algebra (taking derivatives of simple functions, solving two equations with two unknowns, etc). More importantly, if you are uncomfortable with mathematics you should reconsider enrolling in this course. We will not be using advanced calculus but solving simple equations, drawing graphs and elementary differential calculus will be used.

Attendance

Attendance at ALL classes is expected. More than two absences (that is absences from two sessions of 90 minutes) in a semester will significantly affect the grade for the course. The two absences are meant as **insurance policy for you** in case of illness or other unforeseen yet important events outside of the classroom.

Please make sure to consult the Student Handbook for regulations governing periods of illness or leaves of absence.

"Bard College Berlin cannot offer credit for any course in which a student has missed more than 30% of classes, whether the absences are on documented medical grounds or not ".

Textbook

We will use 'International Economics' by Krugman, Obstfeld , and Melitz , 10th Global Edition (or earlier editions) .

Google Classroom:

During the semester, course materials such as lecture slides, readings, discussion questions, homework problems and solutions, will be posted on Google classroom. All students are expected to make use of the course materials posted on google classroom. Please sign in for the course, using the code provided in the first session of class (classroom.google.com).

Assessment

Grades will be based on attendance, preparation for classes, class participation, media presentations, problems sets, as well as a mid-term (60 minutes) and a final essay. The problem set with the worst grade will not count towards the grade. No makeup or early exams will be given.

Policy on late submission of exercises

Problem sets are due as per instructions in the Google Classroom course platform. Late submissions as per student handbook are subject to technical possibility within the course platform and might not apply.

Class Participation

Attendance - is expected of everyone. However, attendance alone does not ensure a passing participation grade

All students are expected *to participate actively* in class. Your participation grade will reflect attendance, frequency of contributions, and the quality of your contributions to in-class discussions. Quality means informed contributions and thoughtful analysis of the material. This requires doing the reading ahead of time.

Media article presentation

At the beginning of each class, a student will present a very short (5-10 minutes) summary and analysis of a trade or policy related article and discussion of how it relates to the theories about trade and finance that we have learned in class. Your grade will depend on how you relate the article to the in-class material and the clarity of your presentation. This article should come from one of the following sources: The Economist, The New York Times, The Wall Street Journal, or The Financial Times. Please consult with me when deciding which article to use. We will sign up for dates at the beginning of the semester.

Final essay:

The final essay will be due on December 17 at noon. Students can submit their essays via Google classroom. The essay should have of a total word count of about 2500- 3000 words.

The topic of the essay is flexible but you will need to discuss and submit a 1 page proposal to me in advance. The deadline for the proposal is October 26 at noon.

The topic can include any of the issues covered in the course, such as free trade, protectionism, tariffs, quotas, foreign exchange, immigration, or trade agreements. In preparing this essay you will be required to research the topic, download and analyze the data, and apply the tools learned in class to your chosen topic.

The paper should focus on economic development in a particular country or region (Western Europe, Eastern Europe, Asia, North America etc.) or within a bilateral context.

Grade Breakdown

Seminar preparation, active participation, and professionalism 20%

2 Problem sets +1 take home short essay question (2nd half of the semester) 20%

Media article presentation: 10%

Mid-term exam 25%

Final essay 25%

Schedule

Classes start on Wednesday, September 5 and run until Friday, December 14 with fall break planned from Oct. 29 –Nov. 4, 2018. Completion week is from December 17 to 21. Students are required to be on campus during completion week.

The schedule provided is provisional in order to allow for flexibility. It is the students' responsibility to keep themselves informed of any changes to the schedule provided here.

Week 1 – Intro/Globalization and world trade

Sep 5, Sep 7

Reading: Krugman, Ch. 1, 2

Week 2 –World trade, The Ricardian model of comparative advantage

Sep 12, Sep 14

Reading: Krugman, Ch.2 and 3

Week 3 – The Ricardian model of comparative advantage

Sep 19, Sep 21

Reading: Krugman, Ch. 3

Week 4 – The Heckscher-Ohlin model

Sep 26, Sep 28

Reading: Krugman, Ch. 5

Week 5 –The Heckscher-Ohlin model/ The instruments of trade policy

Oct 3 – Federal Holiday

Oct 5

Reading: Krugman, Ch.5, 9

Week 6 – The instruments of trade policy

Oct 10, Oct 12

Reading: Krugman, Ch.9

Week 7 – Controversies in trade policy

Oct 17, Oct 19

Reading: Krugman, Ch. 12

Week 8 – Controversies in trade policy

Oct 24, Oct 26 (Mid-term exam, 24.10.2018, 9:00-10:30 classroom)

Reading: Krugman, Ch.12 (pages 279-293)

(Spring break: Oct 29- Nov 4)

Week 9 – Controversies in trade policy

Nov 7, Nov 9

Reading: Krugman, Ch. 12

Week 10 – Foreign exchange market and exchange rates
Nov 14, Nov 19
Reading: Krugman, Ch. 14

Week 11 – Fixed exchange rates and flexible exchange rates
Nov 21, Nov 23
Reading: Krugman, Ch. 18

Week 12 – Optimum exchange rates and the Euro experience
Nov 28, Nov 30
Reading: Krugman, Ch. 20

Week 13 – International monetary systems
Dec 5, Dec 7
Reading: Krugman, Ch. 19

Week 14 – Trade policy in developing countries
Dec 12, Dec 14
Reading: Krugman, Ch.11

Week 15 – Completion Week (Essay due on Monday, Dec 17)

Classes missed due to federal holidays will not be rescheduled.

Professionalism

Being a student is your full-time job and with it come a set of responsibilities and expectations, as with any other job. Maintaining a professional attitude towards your course of studies is something that also prepares you for later work life. A professional attitude towards your studies is shown by coming to class on time, being prepared, being courteous to your teachers and fellow co-students. It is exhibited by writing your essays with care, actively participating in class, avoiding distractions (excessive bathroom breaks, using smartphones to check on irrelevant issues during class etc.), not missing classes except for the most dire of circumstances and in general by adapting to the rules of the course without trying to bargain for personal exceptions.