

International Economics

INSTRUCTOR: Tate Fegley
OFFICE LOCATION: James Buchanan Hall Suite D121
EMAIL ADDRESS: tfegley@gmu.edu
OFFICE HOURS: Monday 10:30 – 11:45, and by appointment

ECON 390-002
Spring 2019
Robinson Hall B111
MWF: 9:30-10:20

1. COURSE DESCRIPTION

The primary objective of this course is to apply the “economic way of thinking” to the subjects of international trade and international monetary relations. International economics is an *applied* theory class – tools students have mastered in principles classes are applied to analyze international economic behavior. Additional intermediate level tools will be taught, as necessary. The course covers the reasons for international trade, the effects of international trade, the effects of trade barriers erected by governments, the balance of payments, foreign exchange and exchange-rate determination, the effects of financial globalization, and alternative international monetary systems.

2. PREREQUISITES AND EXPECTATIONS

I expect that you have successfully completed the following prerequisites for this course: ECON 306 and ECON 311. I assume that you have a basic understanding of macro and microeconomic principles. If you need to review these topics, I recommend that you use Marginal Revolution University.

I expect that you will treat your fellow classmates with respect, even if you disagree with them; reasonable minds can differ on any number of perspectives, opinions, and conclusions. Constructive disagreement sharpens our thinking and deepens our understanding; therefore, it is not only encouraged, but expected. All viewpoints are welcome in my class; however, no ideas are immune from scrutiny and debate.¹

Regular attendance is essential to successfully completing this course. As such, I expect you to attend all the lectures. If you need to miss a class, it is your responsibility to obtain all lecture notes and assignments from one of your classmates.

3. READING MATERIALS

¹ Additionally, please refrain from distracting behavior, e.g. side conversations and using electronic devices for unrelated activities as these are disrespectful to both me and your classmates. While I do not forbid the use of computers during my lectures, you should be aware that doing so can negatively affect your ability to learn ([Dynarski, 2017](#)). Accordingly, I encourage you to take your lecture notes by hand.

Required Texts:

- Feenstra & Taylor (2014) *International Economics* (3rd edition). New York: Worth Publishers.
- Blau & Mackie (2017) *The Economic and Fiscal Consequences of Immigration*. Washington, DC: The National Academies Press.
 - This book is available online as a free PDF at <https://www.nap.edu/catalog/23550/the-economic-and-fiscal-consequences-of-immigration>. It will also be available on Blackboard.
- Additional readings may be assigned during the course and either distributed as handouts and/or posted on Blackboard.

4. COURSE OUTLINE

(F&T = Feenstra and Taylor, B&M = Blau and Mackie)

<u>Topic</u>	<u>Text Section/Reading</u>
<i>Overview and Accounting Section:</i>	
The Global Economy	F&T, chapter 1
International Accounting and Balance of Payments	F&T, chapter 16
<i>International Trade Section:</i>	
Comparative Advantage and the Ricardian Model	F&T, chapter 2
The Specific-Factors Model of Trade	F&T, chapter 3
The Heckscher-Ohlin Model of Trade	F&T, chapter 4
Increasing Returns and “Imperfect” Competition	F&T, chapter 6
Trade Barriers and Competitive Markets	F&T, chapter 8
Trade Barriers and “Imperfect” Markets	F&T, chapter 9
<i>Immigration Section:</i>	
Immigration and Capital Flows	F&T, chapter 5
Employment and Wage Impacts of Immigration: Theory	B&M, chapter 4
Employment and Wage Impacts: Empirical Evidence	B&M, chapter 5

Production, Consumption and Economic Growth Impacts	B&M, chapter 6
Fiscal Impacts of Immigration	B&M, chapters 8 and 9
<i>International Macroeconomics Section:</i>	
Exchange Rates and the Foreign Exchange Market	F&T, chapter 13
Monetary Approach to Exchange Rates	F&T, chapter 14
Asset Approach to Exchange Rates	F&T, chapter 15
International Monetary Experience	F&T, chapter 19

5. LEARNING GOALS FOR INTERNATIONAL ECONOMICS

A student who has completed the international economics course (ECON 390) should be able to think critically about international economic issues and be able to apply economic reasoning in analyzing effects of changes in international economic policies and conditions. Specific learning goals include:

Interdependence among nations: Students should gain solid understanding of the sources and consequences of economic interdependence among nations.

Comparative advantage and benefits of international trade: Students should understand the crucial role of comparative advantage in guiding international specialization and facilitating mutual gains from trade. The evolution of economic theory to explain equilibrium and disequilibrium conditions in international markets forms a key part of this analysis.

Equilibrium terms of trade: Students should learn the role of international opportunity costs and international demand conditions in determining--and altering--equilibrium terms of trade.

Protectionist policies: Students should know the economic consequences of protectionist policies such as tariffs and nontariff barriers on disparate groups--such as exporters, import-competing industries, and consumers--in the affected nations.

Trade policies and institutions of the U.S.: Students should know the history and present nature of U.S. international trade policies and institutions.

Trade policies of developing nations: Students should understand the range and types of trade policies frequently adopted by developing nations, as well as their economic results.

Regional trading arrangements: Students should perceive the economic implications of alternative types of regional trading arrangements (such as a free trade area, customs union, common market, or economic union) as well as recent and historical use of these economic arrangements (for example, the North American Free Trade Agreement and European Union).

Multinational enterprises: Students should understand predicted and actual economic impacts of multinational enterprises on affected nations. Students should be able to use economic analysis to assess benefits and costs of the multinational enterprises, incentives to operate as a multinational enterprise, and criticisms that have been leveled against multinational enterprises.

Balance of payments: Students should know the mechanics of balance of payments accounting as well as the connection between the balance-of-payments accounts (e.g., the current account and the capital account) and related issues such as trade deficits, foreign direct investment, and international debt.

Foreign exchange and exchange rate determination: Students should learn the economic causes and results of changes in international currency prices. They should understand what determines an equilibrium exchange rate and what factors cause a currency's appreciation or depreciation.

Alternative exchange rate systems: Students should learn to how exchange rate adjustment occurs under alternative exchange rate systems such as a fixed exchange rate system, an adjustable-peg system, flexible/floating exchange rate systems, and other systems.

International economic policy: Students should gain understanding of how nations use monetary and fiscal policy to pursue economic objectives of internal balance and external balance.

International banking: Students should learn the nature and functions of international reserves, the determinants of the supply of and demand for international reserves, and the role of international institutions such as the International Monetary Fund in determining the availability of reserves.

Skill in using diagrams to express relationships: Students should increase their ability to use graphs and other diagrams to express economic relationships and to predict the consequences of changes in relevant variables.

6. EVALUATION AND GRADING

The final course grade will be based upon

- Problem sets (15%)

- Podcast summaries (15%)
- Two quarterly exams (10% each – 20%)
- A mid-term (20%)
- A final (20%)
- Participation (10%)

PROBLEM SETS

Students will be assigned problem sets during most weeks of class (excepting exam weeks). The first problem set will be assigned February 1 and due February 6. The problem set will be posted on Blackboard Friday of each week, and will be due by the beginning of class the following Wednesday. The lowest two problem set scores will be dropped. If a problem set is turned in digitally, name the document “Lastname.Firstname.ECON390.Spring2019.PS#” (where # is the PS being turned in).

“TRADE TALKS” SUMMARIES

“Trade Talks” are podcasts available at the Peterson Institute for International Economics website. The Institute provides a podcast (lasting approximately 20 minutes) each week at <https://piie.com/trade-talks>. These podcasts center on current events in trade policy. Students are to provide a one-page, single-spaced summary each week. The first summary is due February 4. The ten highest scores will be used in determining the student’s grade. If the summary is turned in digitally, name the document “Lastname.Firstname.ECON390.Spring2019.TT#” (where # is the TT being summarized).

PARTICIPATION

Participation in classroom discussion is encouraged and expected. **Note: Part of your participation grade is coming to my office hours (or during an appointment) before February 15 to introduce yourself. This aids me in getting to know you and remember your name.**

QUARTERLY EXAMS

There will be two quarterly exams. The first quarterly exam is scheduled for **February 15**. The second quarterly exam is scheduled for **April 19**. Quarterly exams will consist of short answer and essay questions.

MID-TERM EXAM

The mid-term is ***tentatively scheduled*** for **March 22**. The exam will consist of short answer and essay questions.

FINAL EXAM

The final exam will cover material over the last half of the course (since the mid-term). The final is **scheduled** for the final exam period, **Monday, May 13, 7:30 am – 10:15 am**. The exam will consist of short answer and essay questions. In accordance with University policy, if you have three or more exams on the date of the final examination, you may reschedule the final examination. To do so, you must contact me no less than one week prior to the final examination.

MAKE-UP POLICY

Problem sets and “Trade Talk” summaries maybe submitted digitally via email, so no make-ups for those are available. Make-ups of exams will only be granted if the instructor is contacted by email prior to the start of the class period when the exam is held, and appropriate documentation is provided.

EXTRA CREDIT OPPORTUNITIES

The university experience is meant to broaden your horizons and challenge your preconceived notions. A maximum of three extra credit opportunities, each worth 2 percentage points, may be applied to your final grade. Opportunities include

- Attending one (up to 3) of the Mercatus Center’s weekly Philosophy, Politics and Economics (PPE) seminars and writing a single-spaced page summary of the presentation. Seminars are Thursdays from 2-3:30. Schedule may be found [here](#).
- Attending one (up to 3) of the Public Choice Center’s weekly seminars and writing a single-spaced page summary of the presentation. Seminars are Wednesdays from 12-1:15. Schedule may be found [here](#).
- I am willing to consider other extra credit opportunities; if you discover another opportunity – *on-campus* – I will offer extra credit for that as well, if you bring it to my attention at least 2 weeks before the scheduled presentation.

A+	100-97	B	86-83	C-	72-70
A	96-93	B-	82-80	D	69-60
A-	92-90	C+	79-77	F	59-0
B+	89-87	C	76-73		

7. ADDITIONAL INFORMATION

The George Mason University Honor Code requires all members of this community to maintain the highest standards of academic honesty and integrity. Cheating, plagiarism, lying, and stealing are all prohibited. All violations of the Honor Code will be reported to the Honor

Committee.

If you are a student with a disability and you need academic accommodations, please see me as early as possible, and contact the Disability Resource Center (DRC) at 703-993-2474 or ods.gmu.edu. All academic accommodations must be arranged through that office.

Occasionally, I may need to update students on class activities and assignments. I will be emailing students at their GMU email address. Students are responsible for checking this email regularly.

Tutoring is available to students in the Economics Department in Buchanan Hall D150 during the following times:

- Mondays: 1:00 pm – 7:00 pm
- Tuesdays: 1:00 pm – 4:00 pm
- Wednesdays: 1:00 pm – 4:00 pm
- Thursdays: 1:00 pm – 7:00 pm

Further information is available at

<https://economics.gmu.edu/undergraduate/advising/tutoring>

8. IMPORTANT DATES

- Tuesday, January 29 – Last day to add classes
- Tuesday, February 5 – Final drop deadline (no tuition penalty)
- Friday, February 8 – No class, Liberty Forum
- Friday, February 15 – Quarterly Exam #1
- March 11-17 – Spring Break, No Class
- Friday, March 22 – Midterm Exam
- Friday, April 5/Monday, April 8 – No Class, APEE
- Friday, April 19 – Quarterly Exam #2
- Monday, May 6 – Last Day of Classes
- Monday, May 13 – Final Exam 7:30-10:15

9. CLASSMATE CONTACT INFORMATION

Contact #1: _____
Telephone: _____
Email: _____

Contact #2: _____
Telephone: _____
Email: _____