

American University
SIS-616-002, Fall 2009
Wednesdays 2:10-4:50PM

INTERNATIONAL ECONOMICS

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Office hours (Clark Hall #108): Tuesdays 11AM-2PM and Thursdays 2-5PM

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Course description

International economics reflects the application of the principles of micro- and macroeconomics to the realistic case of countries open to trade and capital flows across borders. It covers why international trade in goods and services takes place and what are its many consequences; the motivation for and consequences of barriers to trade; the pros and cons of joining trade blocks or of imposing trade embargoes; the role of trade in economic development; the part played by multinational companies specifically, and foreign investors generally; the conventional accounting of cross-border trade and financial transactions; the workings of the foreign exchange market; the rationale behind and impact of different exchange-rate policy regimes; the underlying reasons for international financial crises; and the policy implications of the interplay between international and domestic macroeconomic forces under different exchange-rate regimes.

The course is a highly useful stand-alone introduction to the subject and is also as the “gateway” course to the International Economic Relations (IER) field, the prerequisite for taking “International Trade and Investment Relations” (SIS-665) and “International Finance and Monetary Relations” (SIS-666).

The learning objective of this course, which will be tested in various ways, is to become familiar with the essential vocabulary, analytical tools, theoretical principles, practical applications, and economic policy implications of both international trade and international finance. You should learn how to apply concepts and theories from international economics and political economy to explain some of the workings of the global economy, and you will have the chance to develop and execute two short writing projects to integrate theory and empirics, and to further develop your analytical and writing skills.

Course requirements and grading

The course assumes that you have taken fairly recently a year-long sequence of micro- and macroeconomics, or at the very least the refresher/remedial course ECON-603 or an equivalent – and that you know the basic concepts and analytical tools, or are willing to relearn them on your own. It emphasizes and tests for the understanding and

application of economic concepts, rather than the mastering of any mathematical or statistical techniques.

You will compete for grades with your classmates, and to minimize grade inflation, grades are subject to the binding constraint that no more than one-third (1/3) of the class will receive an “A” or “A-” letter grade – no matter how high or low is the average score of the class in the individual assignments. Students scoring close to the class average – whatever that average turns out to be – will be assigned a grade in the “B” range.

The required textbook, which will be read pretty much cover-to-cover, is International Economics by Thomas A. Pugel (New York: McGraw-Hill/Irwin, 2009), 14th printed or online edition.

The course requirements are, **first**, three (3) in-class, closed-book, non-cumulative, multiple-choice tests that together account for 70% of the final score (30% + 20% + 20%, respectively, in proportional reflection of the number of chapters covered). The purpose of these objective tests is to measure your understanding and mastery of the textbook material, which will be highlighted during the class lectures and is summarized in accompanying PowerPoint slides posted in Blackboard. Sheer memorization of these slides, however, will not prove sufficient to do well in the tests.

The **second** course requirement is made up of two (2) relatively brief (maximum 1,000 words each) take-home article reviews/critiques that together account for an additional 20% of the score (10% each). The purpose of this assignment is to expose you to any two very recent, state-of-the-art, empirical research papers in international economics, thereby developing an appreciation of what publishable research in this field is currently all about. You are to pick from one of 4 such papers linked to material covered in the first half of the course, and later pick from one of 4 such papers linked to material covered in the second half. Even though you are not expected to understand these papers thoroughly, you should get their gist and be able to write up a review/critique – not a summary – commenting on whether the papers put forth and then tested an interesting hypothesis, whether the empirical results were convincing, if the papers have any important policy implications, and the like. The selection of eight papers (4 + 4) is posted in Blackboard. Please use Word, specify single-line spacing, and send the two reviews via e-mail to me by the due dates and times.

The **third** course requirement consists of five (5) very brief (maximum one paragraph each) comments on data releases or policy measures pertaining to international economics in any one country, which together account for a final 10% of the score (2% each). The objective here is to expose you to local and international news sources and to 5 different data releases or policy announcements relating to international trade or financial flows in a single country of your choice, which appear in the local or international press during the Fall term. For example, if you adopt Venezuela, one of these comments might be about the foreign trade surplus the country posted in September, about restrictions to foreign investment that were imposed in October, or about an increase in tourism earnings recorded in November. You will please include

an electronic link to the news story that you have chosen to highlight. Please use Word, specify single-line spacing, and send the 5 comments all at once in one file via e-mail to me by the due date and time.

Being a member of the AU academic community entitles each of us to a wide degree of freedom in the pursuit of scholarly interests. With that freedom, however, comes a responsibility to uphold the high ethical standards of scholarly conduct. By registering in this course, you acknowledge your awareness of the Academic Integrity Code, and are obliged to become familiar with the rights and responsibilities therein. All work done in class or outside of class, whether oral or written, is governed by its provisions. Academic violations include, but are not limited to, plagiarism, inappropriate collaboration, dishonesty in examinations whether in class or take-home, dishonesty in papers, work done for one course and submitted for another, deliberate falsification of data, interference with other students' work, and copyright violations. The adjudication process and possible penalties are listed in AU's Academic Integrity Code, available on the AU website (at www.american.edu/academics/integrity/code.htm).

In the event of a declared pandemic (influenza or other communicable disease), American University will implement a plan for meeting the needs of all members of the university community. Should the university be required to close for a period of time, we are committed to ensuring that all aspects of our educational programs will be delivered to you. These may include altering and extending the duration of the traditional term schedule to complete essential instruction in the traditional format and/or use of distance instructional methods. Specific strategies will vary from class to class, depending on the format of the course and the timing of the emergency. I will communicate class-specific information to you via AU e-mail and Blackboard, and you must inform me immediately of any absence due to illness. You are responsible for checking your AU e-mail regularly and for keeping yourself informed of emergencies. In the event of a declared pandemic or other emergency, you should refer to the AU Website (www.prepared.american.edu) and the AU information line at (202) 885-1100 for general university-wide information, as well as contact me and your respective dean's office for course and school/college-specific information.

Schedule

August 26: Theories of international trade

Required reading: Pugel, Chapters 2 and 3

September 2: Theories of international trade, cont'd

Required reading: Pugel, Chapters 4, 5 and 6

September 9: Trade policies

Required reading: Pugel, Chapters 8 and 9

September 16: Trade policies, cont'd

Required reading: Pugel, Chapters 10 and 11

September 23: Test #1 (covering material in prior four class meetings) and Trade policies, cont'd (after Test #1)

Required reading: Pugel, Chapter 12

September 30: Trade policies, cont'd

Required reading: Pugel, Chapters 14 and 15

October 7: The balance of payments and foreign exchange market; Review/Critique #1 of any one of four research papers due by Monday, October 12

Required reading: Pugel, Chapter 16

October 14: Foreign exchange market

Required reading: Pugel, Chapters 17 and 18

October 21: Test #2 (covering material in prior four class meetings) and Exchange-rate policies (after Test #2)

Required reading: Pugel, Chapter 19

October 28: Exchange-rate policies, cont'd

Required reading: Pugel, Chapter 20

November 4: International financial crises

Required reading: Pugel, Chapter 21

November 11: Open-economy macroeconomics

Required reading: Pugel, Chapters 22 and 23

November 18: Open-economy macroeconomics, cont'd

Required reading: Pugel, Chapters 24 and 25

November 25: No class meeting: Thanksgiving Break

**December 2: Test #3 (covering material in the prior five class meetings);
Review/Critique #2 of any one of four research papers, and 5 comments on data
releases or policy measures, due by Monday, December 7**