

International Economics

SYLLABUS

Semester: xxx

Class room and time: xxx

Instructor: Cameron M. Weber

Email: cameron_weber@hotmail.com

Website: cameroneconomics.com

Instructor office hours and location: xxx

Course Description:

The subject of this course is international economics as it relates to world trade and investment, international finance and international political economy. The course material covers trade theory, barriers to trade, government trade policy, exporting and importing, international agreements and institutions, portfolio and foreign direct investment (FDI), the balance of payments, the foreign exchange (ForEx) process and the international monetary process. The overall objective is to provide students with a general understanding of these concepts and how they relate to current events, including an analysis of the relationship between international economics and the current U.S. economy. Students will also have the opportunity to study an international economic topic of their choice in more depth in groups with their classmates and each group will present the results of their research to the class.

Course Objectives:

By the completion of the course, students should,

a) Understand how economic theory can help one to understand changes and events in the global economy and how these changes effect the economic interests of the various parties involved

b) Describe how international trade and finance react in relation to changes in government policy

c) Explain the meaning behind a “global value chain” and have the intellectual tools to apply the concepts of international economics to business decisions

d) Know the differences and similarities in the motivations and behaviors of the political and economic sectors both domestically and internationally

e) Develop the skills to understand and critique commonly used economic jargon in the media such as “globalization”, “outsourcing”, “capitalism”, “structural imbalances” and “economic coordination”

f) Relate an understanding of international economics to current events domestically, regionally and internationally

Nature of Course:

The course provides a solid grounding in international economics for those wishing to pursue further education in economics as well for non-economic majors who are interested in better understanding world political and commercial events and trends. The class gives an overview of the breadth and depth of international economics, including historical context, and ties theory to actual events in the international economy. Differing perspectives from mainstream economics, especially Austrian School, Public Choice, Marxist and Institutional economics, are also introduced throughout the course in order to give the student an insightful perspective to understand and critique contemporary debates over economic policy. An understanding of differing views of societal economic organization and the welfare and political philosophy perspectives of these differing views will ideally help the student to better understand and engage with on-going political and economic discussions.

Resources and Readings:

Main text

Robert Carbaugh. *International Economics*, Cengage Publishing (Any edition is acceptable, there is also a copy on reserve at library).

In addition, students should stay current on topical events in international business, economics and public policy by reading the *Economist* magazine, the *New York Times*, the *Wall Street Journal*, the *Financial Times* and/or professional trade publications relating to the student's specific field of study.

Supplemental reading material:

Friedrich Hayek (1945). "The Use of Knowledge in Society."
<http://www.econlib.org/library/Essays/hykKnw1.html>

Friedrich Hayek (1944). *The Road to Serfdom* ("in pictures":
<http://mises.org/books/TRTS/>)

Anne O. Krueger (1974). "The Political Economy of the Rent-Seeking Society."
<http://cameroneconomics.com/kreuger%201974.pdf>

Karl Marx (1865). *Value, Price and Profit*.
<http://www.marxists.org/archive/marx/works/1865/value-price-profit/index.htm>

Gerald P. O'Driscoll Jr. (2012). “How the Euro Will End”
http://www.cato.org/publications/commentary/how-euro-will-end?utm_source=Cato+Institute+Emails&utm_campaign=ce577d8a8a-E_Update_July_2012&utm_medium=email&mc_cid=ce577d8a8a&mc_eid=8837dbdabd

Charles P. Oman (1999). “Policy Competition for Foreign Direct Investment”, OECD. <http://www.oecd.org/dataoecd/9/27/2089936.pdf>

Cameron Weber (2012). Lecture note on “Absentee Ownership in America”
<http://cameroneconomics.com/ao.pdf>

Youtube.com videos as supplementary materials:

“Fear the Boom and Bust” <http://www.youtube.com/watch?v=d0nERTFo-Sk>

“Fight of the Century” <http://www.youtube.com/watch?v=GTQnarzmTOc>

Keynes vs Hayek, part 3 on Bretton Woods,
<http://www.youtube.com/watch?v=ZYwHCWkOBo8>

“Quantitative Easing Explained” <http://www.youtube.com/watch?v=PTUY16CkS-k>

Barry Eichengreen (2011). “Exorbitant Privilege” Lecture at the LSE
<http://www.youtube.com/watch?v=w--Pv8edD6M>

Milton Friedman (1979). “On Greed”
http://www.youtube.com/watch?v=RWsx1X8PV_A

Friedrich Hayek (1977). “Hayek on Keynes”
<http://www.youtube.com/watch?v=VqU-AZh-wqU>

Robert Higgs (2011) on “regime uncertainty”
<http://www.youtube.com/watch?v=f73izHRGI1A>

Gary Popkin (2011). “Hardfire Visits Occupy Wall Street”
<http://www.youtube.com/watch?v=PrTAThHvwYE>

Russia Today (2011). “The Real Reason for the War in Libya”
<http://www.youtube.com/watch?v=GuqZfaj34nc>

George Selgin (2011). “100 Years: Has the Fed Been a Failure?”
<http://www.youtube.com/watch?v=yLynuQebyUM>

Websites:

- World Trade Organization (WTO), www.wto.org
- International Monetary Fund (IMF), www.imf.org
- Organization for Economic Cooperation and Development (OECD), www.oecd.org
- CIA World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/>
- US Trade Representative, <http://www.ustr.gov/>
- US International Trade Commission, <http://www.usitc.gov/>
- US Commerce Department, National Income and Product Accounts, <http://www.bea.gov/national/nipaweb/index.asp>
- Bank for International Settlements (BIS), <http://www.bis.org/>
- US Import-Export bank (Ex-Im), <http://www.exim.gov/>
- EU Economic and Financial Affairs, http://ec.europa.eu/economy_finance/index_en.htm
- Cato Institute anti-dumping homepage, <http://www.cato.org/antidumping-other-trade-remedies>
- Heritage Foundation, economic freedom index, <http://www.heritage.org/index/>

References:

Jeremy Attack and Larry Neal. (2009). *The Origins and Development of Financial Markets and Institutions: From the Seventeenth Century to the Present*, Cambridge University Press.

Walter Bagehot (1873). *Lombard Street*.
<http://www.econlib.org/library/Bagehot/bagLom.html>

Rondo Cameron and Larry Neal (2003). *A Concise Economic History of the World*, Oxford University Press.

Niall Ferguson (2008). *The Ascent of Money: A Financial History of the World*, Penguin Press.

David Galenson (1989). *Markets in History*, Cambridge University Press.

F.A. von Hayek (1978). *Denationalization of Money: The Argument Refined*, IEA.

John Maynard Keynes (1919). *Economic Consequences of the Peace*.
<http://www.gutenberg.org/files/15776/15776-h/15776-h.htm>

Charles Kindleberger (1988). *Manias, Panics and Crashes*, Basic Books.

Carl Menger (1892). “On the Origins of Money”, *Economic Journal*.
<http://socserv.mcmaster.ca/econ/ugcm/3ll3/menger/money.txt>

Gretchen Morgenson and Joshua Rosner (2011). *Reckless Endangerment: How Outsized Ambition, Greed, and Corruption Led to Economic Armageddon*, Times Books.

Uriel Procaccia (2007). *Russian Culture, Property Rights, and the Market Economy*, Cambridge University Press.

Carmen M. Reinhart and Kenneth Rogoff (2009). *This Time Is Different: Eight Centuries of Financial Folly*, Princeton University Press.

Pietra Rivoli (2009). *The Travels of a T-Shirt in the Global Economy: An Economist Examines the Markets, Power, and Politics of World Trade*, John Wiley & Sons.

David de Rosa (2001). *In Defense of Free Capital Markets: The Case Against a New International Financial Architecture*, Bloomberg Press.

Joseph A. Schumpeter (1934). *The Theory of Economic Development*, Harvard University Press.

Adam Smith (1776). *The Wealth of Nations*. (Available on-line through many sources.)

Hernando de Soto (2007). *The Mystery of Capital*, Basic Books.

Thorstein Veblen (1923) *Absentee Ownership in America* (any edition).

Course Requirements and Grading Procedure:

Class attendance and participation: 20%

For the class participation grade students are encouraged to add to class lectures and to discuss issues based on the readings for each class period (see list of topics below). In addition at the beginning of each class, students can introduce current events related to international economics. All class participation will add to the student's grade for this section and in order to get an "A" for this portion of the grading protocol a student must participate in class discussion.

Exams: 40%

There will be two exams, a midterm (25 true/false and multiple choice questions) and a final (40 questions). The midterm exam counts for 15% of the class grade, the final exam 25% of the class grade and is cumulative, as is the discipline of economics. There is a list of concept terms posted to the Instructor's website which will help the students prepare for the exams. There will be no specific review sessions for exams so students are encouraged to ask questions (again part of the class discussion grade) if they do not understand a concept as it is discussed in class. There are no irrelevant questions, as if one student has a question on the material, no doubt their colleagues do as well. We will review the exams the class period following each exam date.

Homework Assignment and Extra Credit: 15%

Students will draw a Supply and Demand graph, showing the deadweight loss (DWL) due to policy intervention, while explaining in narrative why the DWL occurs. The assignment is to be no longer than three pages long, and the students will be given a choice of at least two scenarios to illustrate.

For extra-credit students have the option to improve their grade by addressing any questions or suggestions raised by the Instructor in the homework, in order to improve upon the original homework grade up to the full 15 points. Students will have until the final exam to re-do the homework if they want extra credit and should attach the original marked-up homework along with the revised copy.

Class Research Project and Presentation: 25%

The goal of this part of the class is for students to get together in groups between 3 and 5 in number to research a topic in international economics relating to their fields of interest. There will be two days of group presentations prior to the final exam.

Ideally the groups can form of their own, with students self-selecting. I will post a list of potential topics to my website relating to contemporary or historic issues in international economics. Student groups can choose one of my potential topics or can choose their own. The final day to sign-up for the groups, presentation topics and presentation dates and times will be xxx though groups can form and topics chosen at any time before that date. The topics will be first-come, first-serve and each topic will only be presented once. Any students who don't have a group, or any groups that don't have topics, I will assign on xxx (date). There is no penalty for not signing-up on or before the due date.

The presentations will be 15 or 20 minutes long, with a 5 minute class discussion period after each presentation. Each group will conduct the class for their allotted time-slot, including the presentation and Q&A.

Presentations can use any media; from PowerPoint to YouTube videos to "chalk and talk". You can make a film of your topic or something else as a means of presentation if you would like. The important and recommended thing here is that you work on something you are interested in relating to what you might want to do after your education. The research project can be a good way to differentiate yourself from other job candidates and/or graduate student applications if you are going to go either of those routes. Each presentation should address the ideas discussed in class related to the topic, and each presentation should present "both sides" of a policy issue if that is relevant to the research. Groups should speak with one voice on the subject presented so the presentations should be concise and to the point, defining all terms used in the presentations.

You are welcome to discuss any topic idea you have in advance with the Instructor at office hours. I would be happy to give you suggestions but cannot choose the topic for you in advance of xxx (date).

Grading policy:

“A”: 91-100% of possible points for the semester, “A-”: 90 points, “B+”: 89 points, “B”: 81-88 points, “B-”: 80 points, “C+”: 79 points, “C”: 71-78 points, “C-”: 70 points, “D” 60-69 points. Everything below 60 points is an “F”.

Class Rules:

There should be no cellphone or txt use during class, computers (and smartphones etc.) are acceptable if they are used to do research in order to participate in class discussion. There should be no prolonged “side discussions” during class as this distracts from the learning of others. Any student requiring special accommodations should inform the Instructor as soon as possible at the beginning of the semester. It is especially important to attend and participate in class because all examination questions will be taken from economic concepts and current events discussed in class.

Course Topics:

The following is the order of material for the class, though specific topics and weeks might change depending on how the class progresses. Also, we will review the homework and the exams the class period after each is given.

<u>Weeks</u>	<u>Topics</u>	<u>Chapters from Carbaugh</u>
	Introduction to International Economics and Review of Welfare Economics	
1-3	What is international econ?, history of “globalization”, review of micro, macro and welfare economics applicable to int’l econ, review of bond and loanable funds markets and classical Lendor of Last Resort (LLR) theory	Chapter 1, Smith 1776 Hayek 1945, Krueger 1974 class lectures, Bagehot 1873
	Case study: Euro (€) crises	
	Trade Theory	
4-7	Comparative advantage and alternative trade theories, factor mobilities, Economic nationalism and protectionism, World Trade Organization (WTO), policy competition	Chpts 2,3,6,9, Oman 1999 Higgs 2011 youtube
	Case Study: China and USA solar panel anti-dumping and the WTO	

Trade Policy

- 7-8 Tariffs and non-tariff barriers to trade, welfare effects of trade policy, “industrial policy”, regional and bilateral trade agreements, optimal currency area, Latin America Free Trade Association (LAFTA) European Union, NAFTA, Trans-Pacific Partnership (TPP) Agreement, Chinese Free Trade Agreements (FTAs) Chpts 4, 5, 6 and 8

Case study: Travels of a T-Shirt

International Investment

- 9 Global production and distribution, Multinational Enterprises (MNEs), Foreign Direct Investment (FDI), International factor flows, competitiveness and the international product cycle Chapter 9, Oman 1999

Foreign Exchange (ForEx) Process

- 10 Balance-of-payments (BoP), ForEx markets, supply and demand of foreign currency, exchange rate determinants, BoP adjustments Chpts 10, 11, 12, 13

Case Study: Occupy Wall Street and the Tobin Tax

International Monetary Process

- 11 Exchange rate systems and monetary regimes, BoP’s and financial crises, the International Monetary Fund (IMF) China’s and the USA’s monetary policy, digital currencies Chpts 14 and 15 Selgin 2011, Hayek 1978 Eichengreen 2011

Case Study: Exorbitant Privilege of US\$

Case Study: West African Monetary Union (WAMU)

- 12 “Atlas Shrugged” film and review for Final Exam
13-14 Class Presentations (including Great Recession by Instructor if time allows)
15-16 Final Exam and Review of Final Exam

Class Schedule:

Homework topics assigned to class: xxx (date).

Homework assignments due: xxx

Midterm examination: xxx

Groups formed and presentation topics chosen: xxx

Remaining groups and topics assigned: xxx

Group class presentations: xxx

Final Examination (and extra-credit due date): xxx

Review of Final Exam: xxx