

# Rutgers University Spring 2018

## Department of Economics

**International Economics (01:220:300:08) – This is a Lower Level Elective Course.**

**Lectures: Mon/Wed 1:10-2:30pm, AB 2225**

**Instructor:** Dr. Basanta Chaudhuri

E-mail: [chaudhur@econ.rutgers.edu](mailto:chaudhur@econ.rutgers.edu)

Office: New Jersey Hall (NJH) 102

**Office Hours:**

Mon 11:00-12:00 noon, Tues 9-10 am, and

Wed 11:30-12:30 pm and by appointments

(Office Tel: 848-932-8611)

**IMPORTANT:** Read this syllabus very carefully. You are responsible for all information and materials in it. Information on the Web: The Department of Economics maintains a comprehensive web site at (<http://economics.rutgers.edu>). This should be your first stop for virtually all of your economics inquiries. On the web site you will find information about the major, job opportunities, career choices, the faculty, library resources, and internet resources. My web page is <http://econweb.rutgers.edu/chaudhur> . Course is managed thru [sakai.rutgers.edu](http://sakai.rutgers.edu) .

**IMPORTANT DATES TO REMEMBER: (SPRING 2018)**

**First Day of Classes: Tuesday, January 16 (Our class starts on Wed, Jan 17)**

**Last Day to drop classes without a “W” grade (Tues, Jan 23) & Last Day to Add (Wed, Jan 24)**

**Midterm 1 (Wed, Feb 21)**

**Spring Recess (Sat/Mar 10 – Sun/Mar 18)**

**Midterm 2 (Wed, Mar 28)**

**Last Day of Class: Mon, April 30**

**Reading Days: (Tues-Wed, May 1-2)**

**Final Exam Tues, May 8, 12:00-2:00 pm (Note: My Final Exam is a 2-hour Exam)**

## Course Description

This course will introduce both the micro-economic and macro-economic issues relevant to the economic relations among countries via international trade. The first half of the course deals with the microeconomic issues of international trade, and covers such issues as (i) why do countries trade?, (ii) what do they trade?, (iii) how are the gains from trade distributed?, and (iv) protectionism vs. free trade and regional economic integration. The second half of the course deals with issues in international finance and macroeconomics, and covers such issues as (i) the markets for currencies and exchange rates (fixed vs. flexible), (ii) balance of payments, (iii) adjustment processes, and (iv) open economy macroeconomics (role of monetary and fiscal policies) in a general equilibrium framework.

(Note: **Major credit may be earned for only two of the three courses 220:300, 220:435, 220:436.**)

## Course Prerequisites

Prerequisites are designed to protect you from taking courses that you are unprepared to successfully complete. You should follow the recommended prerequisites closely. The following courses are prerequisites for this course. You are expected to have mastered the material covered in these courses before taking this course.

220:102 Intro to Microeconomics and 220:103 Intro to Macroeconomics

## Learning Goals:

Students who complete this course will have a thorough understanding of the core micro- and macro-economic principles that underlie international economic relations; will comprehend the basic economic theories of trade, trade barriers, and the impact of trade policy on firms and consumers; will know the basics of exchange rates and how they affect economic agents and government policy; will learn the fundamentals of foreign exchange markets, balance of payments, and international monetary systems; will be able to read and understand general interest articles on international trade, finance and policy.

## Required Text

The following text (**required**) and the study guide (**optional**) will help you complete this course successfully. The lectures will roughly follow the format of the textbook.

**Essentials of International Economics** (Third Edition) by Robert C. **Feenstra** and Alan M. **Taylor** (**Required**) (Second Edition is also fine; Save a lot by buying an older edition/used book).

**Study Guide** for Essentials of International Economics (Third Edition) by Stephen R. Yeaple (**Optional**) (Second Edition is also fine but you should verify any changes.)

There are several buying/renting options: Loose leaves, used, eBook, Rental. Check out RU Bookstore (Barnes & Noble), NJ Bookstore (rutgers.bncollege.com, coursesmart.com, amazon.com, textbooks.com, worthpublisher.com)

**Course Website** – <https://sakai.rutgers.edu>

All course-related announcements, student version of lecture slides, reading assignments, practice problems for exams, answers to exams, grades and other resources will be posted on the course Sakai web site. Optional: Chat room and forum on Sakai are excellent place to post and discuss questions.

I strongly recommend that you attend lectures. Attending lectures is not a substitute for reading the book, nor is attending the lectures sufficient to fully understand the material. To get the most from this course you should both attend lecture and read the designated chapters. Unless you attend lectures regularly you will miss relevant discussions and materials covered in class and periodical announcements related to this course. You cannot just send an e-mail to find out what is going on in the classroom.

## **COURSE OUTLINE**

### **(1) Introduction: Overview of International Economics**

Chapter 1 The Global Economy

### **(2) International Microeconomics I: International Trade Theory**

Microeconomic Tools for International Economics

Chapter 2 Trade and Technology: The Ricardian Model

Chapter 3 Gains and Losses from Trade in the Specific-factors Model

Chapter 4 Trade and Resources: The Heckscher-Ohlin Model

Chapter 5 Movement of Labor and Capital between Countries

### **Midterm 1 (Wed, Feb 21)**

Chapter 6 Increasing Returns to Scale and Monopolistic Competition

### **(3) International Microeconomics II: Trade Policy**

Chapter 7 Import Tariffs and Quotas under Perfect Competition

Chapter 8 Import Tariffs and Quotas under Imperfect Competition

Chapter 9 International Agreements: Trade, Labor, and the Environment

**(4) Exchange Rates and Prices in International Trade**

Chapter 10 Introduction to Exchange Rates and the Foreign Exchange Market

**Midterm 2 (Wed, Mar 28)**

Chapter 11 Exchange Rates I: The Monetary Approach in the Long Run

Chapter 12 Exchange Rates II: The Asset Approach in the Short Run International Trade Policies

**(5) International Macroeconomics I: The Balance of Payments – Accounting for Exports and Imports**

Chapter 13 National and International Accounts: Income, Wealth, and the Balance of Payments

**(6) International Macroeconomics II: International Macroeconomic Policy**

Chapter 14 Output, Exchange Rates, and Macroeconomic Policies in the Short Run

Chapter 15 Fixed versus Floating: International Monetary Experience (Trilemma)

**FINAL EXAM Tues, May 8, 12:00-2:00 pm (Note: 2-hour Exam/Regular classroom))**

**Course Requirements and Grades**

Your grade in the course will be based on three exams (w/ weights 30-40%). The **Grade Scale** is:

[A > or = 90%, B+ (85-89%), B (78-84%), C+ (72-77%), C (60-71%), D (50-59%), and F < 50%]

**The dates for the exams are as follows** (with weights in the parentheses):

**First Midterm** (Wed, Feb 21) (30%)

**2nd Midterm** (Wed, Mar 28) (30%)

**Final Exam** (Tues, May 8, 12:00-2:00pm) (40%)

Each exam will consist of all **multiple-choice** questions. **Exams are not cumulative.**

Note that **there are no extra credit assignments/projects available** but improvements in exams will be taken into consideration. So take each exam seriously.

**All exams are closed-book and closed-notes.** You may be allowed to use a simple calculator if needed (no cell phones will be allowed). You must have a #2 pencil to darken ('bubble') the SCANTRON and a good eraser.

**Make-up Exams Policy:** It is your responsibility to be prepared for the exams on announced dates. **The final exam is scheduled on Tues, May 8, 12:00-2:00 pm).** There will be **no make-up exams for missed Midterm 1 and Midterm 2, except in dire and documented emergencies.** Any make-up exam if agreed upon (for valid documented reasons - for example, doctor's note for emergency medical reasons, appropriate document to prove a car breakdown etc.) will be arranged on a date set by the Department thereafter. There will be no exceptions. **Missed exams that are not allowed to be made-up, or are not made-up, will be averaged into your final grade as a zero (i.e., if you miss an exam you will not receive automatically an incomplete course grade).**

Note also that **grades are not available via the phone or e-mail.** Grade-related questions cannot be answered via internet (e-mail) or phone.

Problem Sets may be available (for practice, not graded)

Problems (labeled as "Quick Quiz/Multiple Choice", "True or False" and "Fill in the blanks" in the Study Guide) are recommended for you to practice. Answers to these questions can be found in the Study Guide. The assigned problems are suggestive of the type of questions you can expect on the exams.

Sample Questions (Consult the Study Guide):

Many students find it useful to review questions available in other web sites.

**Academic Honesty** (Go to <http://academicintegrity.rutgers.edu/integrity.shtml> )

Cheating is totally unacceptable and highly risky for your academic life/career. The University has established rather severe penalties for cheating. You are strongly advised to review Rutgers' policies on cheating (consult the Undergraduate Catalog).

Turn off all electronic devices (cell phones, beepers, i-pods, i-phones, smartphones, etc).

**Self-Reporting Absences:**

Rutgers has a Self-Reporting Absence Website (<http://sims.rutgers.edu/ssra> ). Students are expected to attend all classes. If you expect to miss one or two classes because of illness or a family emergency, please use the University Absence Reporting Website (<http://sims.rutgers.edu/ssra> ) to indicate the date and reason for your absence. An email is automatically sent to me.

## **Students with Disabilities:**

For policies/procedures/accommodation request, go to <http://disabilityservices.rutgers.edu>

### **REMINDER: LEARNING GOALS FOR ECONOMICS MAJORS**

1. Economic Literacy - Students who complete the major in economics should understand and be able to articulate, both orally and in writing, the core economic principles, concepts and theories that form the foundation for modern economic analysis and economic research.
2. Economic Numeracy - Students who complete the economics major should be familiar with the tools, techniques and methods of empirical economics. They should be able to analyze data using computer applications and should be familiar with regression methods and other statistical techniques. They should be able to read and assess general interest articles on economic topics. In addition, they should be able to understand and evaluate key findings in published economic research from a wide range of sources including academic economists, public policy 'think tanks,' and government agencies.
3. Economic Citizenship - Upon completion of the major students should be able to apply their understanding of core concepts and quantitative tools to analyze and research real world problems and evaluate alternative economic policy proposals on microeconomic and macroeconomic issues.
4. Economic Scholarship – Qualified majors should have an opportunity through such avenues as advanced coursework, faculty interactions, national and local competitions and honors courses and programs to utilize up-to-date methodological tools and become fully engaged in economic research and issues on the frontiers of economics.

[Department of Economics, Rutgers, The State University of New Jersey, February 2008]

## **Student-Wellness Services:**

Just In Case Web App, for a mental health crisis for you are a friend:

<http://codu.co/cee05e>

Counseling, ADAP & Psychiatric Services (CAPS), for non-emergency psychological health issues:

(848) 932-7884 / 17 Senior Street, New Brunswick, NJ 08901 [www.rhscaps.rutgers.edu/](http://www.rhscaps.rutgers.edu/)

Violence Prevention & Victim Assistance (VPVA)

(848) 932-1181 / 3 Bartlett Street, New Brunswick, NJ 08901 [www.vpva.rutgers.edu /](http://www.vpva.rutgers.edu/)

Disability Services

(848) 445-6800 / Lucy Stone Hall, Suite A145, Livingston Campus, 54 Joyce Kilmer Avenue, Piscataway, NJ 08854 / <https://ods.rutgers.edu/>

Scarlet Listeners, for confidential peer counseling and referral hotline:

<http://www.scarletlisteners.com/> or call (732) 247-5555