

**Econ 251-A: International Economics  
Syllabus, Spring 2005**

Professor Mark Hopkins

Office hours: Monday 1pm – 2pm;  
Wednesday 10am–11am & 1pm – 2pm

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**Class Overview:** This course will present a broad overview of the nature and significance of economic activities that occur across national borders. These activities include both microeconomic flows of goods & services bought and sold by households & firms, which are recorded in the Current Account, as well as macroeconomic flows of assets (capital flows) through aggregate saving and investment behavior, which are recorded in the Capital Account. The course will attempt to balance an emphasis on understanding economic theory with analysis of policy issues such as the impact of globalization and outsourcing, the trade deficit, and exchange rate movements on the United States and other countries.

**Readings:** There are two required texts, available for purchase at the bookstore:

Husted & Melvin, *International Economics*, 6<sup>th</sup> ed. (Addison Wesley, 2003)  
Irwin, *Free Trade Under Fire* (Princeton, 2002)

Handouts, articles and other materials will also be assigned throughout the semester.

**Course Description:** One third of the course will be devoted to microeconomic theoretical issues of international trade and foreign direct investment. One third will be devoted to national and multilateral trade policy. The final third of the course will be devoted to an overview of macroeconomic issues such as the trade deficit, exchange rates, and the Balance of Payments. Students interested in studying these topics in more depth are encouraged to take Economics 309, *International Finance and Open-Economy Macroeconomics*.

Final grades will be determined according to the following calculus:

Homework	15%
Participation/projects	10%
3 Country Essays	15%
3 Exams (including final)	60% total (10% for lowest score, 25% for other two)

Distribution of Final Grades:

A	85+ percent	B	73-77	C	63-67
A-	80-85	B-	70-73	C-	60-63
B+	77-80	C+	67-70	D	50-60

**Notes on Grading:** The first in-class exam will cover basic trade theory; the second will cover trade policy; and the final exam will cover topics in international finance. Before each exam you will submit a 5 page “country essay” offering a practical application of the material you have learned to the case of specific country of your choice. There will be approximately five problem sets due throughout the semester. It is important that you attempt these and turn them in on time. If you will be absent, turn it in early or get a friend to turn it in. Grading will be on a check/check-plus/check-minus system. Active participation in discussions and in-class projects will help your grade. The logical converse is that not participating will hurt you. I will give zero to five points towards your final score based on attendance, and zero to five points based on your participation.

**Requirements:** The following are your responsibilities, and I assume you will meet them:

- **Regular attendance.** Absences will reduce the “participation” part of your grade, but more importantly they will severely impair your ability to do assignments and perform well on exams. Please notify me, in advance of class if possible, about any absences for medical reasons. If you have to miss class, please note that late assignments will be penalized but there is no penalty for turning them in *early*!
- **Read the required material before class:** Failure to do so will impair your ability to understand the lectures and participate in class, leading to an adverse grade. This is particularly important for discussions about handouts and the Irwin book. For the Husted & Melvin text, it is best to preview the material, form questions, bring them to class, and then review the material again afterwards.
- **Honor Code:** It is my responsibility under the honor code to report any and all violations. Neither of us wants that to happen. Since I intend to uphold my obligation under the Code, it is important that you do as well. If you are unsure of rules regarding plagiarism, assignment and exam guidelines, etc. please come talk to me. Cheating is easier to detect than you think, and cheating “by accident” is not an excuse.

### Course Outline:

[HM = textbook, & I = Irwin]

<u>Class</u>	<u>Topic</u>	<u>Reading</u>
1/13–1/17	Introduction and Mathematical Review	I #1, HM #2
<b><u>TRADE THEORY:</u></b>		
1/19 – 2/2	The Classical Model of Trade	HM #3 / I #2 / Handouts
2/7 – 2/14	Alternative Models of Trade	HM #4-5 / Handouts
2/16	<b>FIRST EXAM</b>	
<b><u>TRADE POLICY:</u></b>		
2/21 – 2/28	Economic Analysis of Trade Protection	HM #6-7 / I #3-4
3/2 – 3/14	The Four Levels of US Trade Policy	HM #8-9 / I #5-6
3/16	<b>SECOND EXAM</b>	
<b><u>INTERNATIONAL MACROECONOMICS:</u></b>		
3/30 – 4/18	The Economics of International Finance	HM #11-15
4/20 – 4/27	Current Issues in International Finance	HM #19, 21 & Readings
5/7 (8:30am)	<b>FINAL EXAM</b>	

## ECON 251: TENTATIVE CLASS SCHEDULE

<u>Day</u>	<u>Date</u>	<u>Topic</u>	<u>Reading</u>
Thurs	1/13	Introduction	HM, Chapter 1
Mon	1/17	Microeconomic Tools for Analyzing Trade	HM Chapter 2 & Handouts (Krugman and Tool Chest)
Wed	1/19	Finish Tools / Intro to Trade Theory	Irwin, Chapter 1
Mon	1/24	Mercantilism, Smith and the Gains from Trade	HM, Chapter 3 (pp. 54-60) & Irwin (pp. 21-24)
Wed	1/26	The Ricardian (or "Classical") Trade Model	HM, Chapter 3 (pp. 60-76) & Handout (Miracle of Trade)
Mon	1/31	The Gains from Trade	Irwin, Chapter 2 (pp. 24-69)
Wed	2/2	Trade, Wages and Jobs	Handout (Not So Absolutely Fabulous) & Irwin Chapter 3
Mon	2/7	The Heckscher-Ohlin (Endowments) Model	HM, Chapter 4
Wed	2/9	Alternative Views of Trade, FDI & Outsourcing	Feenstra, <i>Journal of Economic Perspectives</i> , Fall 1998
Mon	2/14	Wrapping up Trade Theory - <i>essays due</i>	HM, Chapter 5
Wed	2/16	<b>*First Exam* - Trade Theory</b>	
Mon	2/21	Tariffs and Non-Tariff Barriers	HM, Chapter 6
Wed	2/23	Tariffs vs. Non-Tariff Barriers	HM, Chapter 6 & 7
Mon	2/28	Arguments for Protection	HM, Chapter 7, Irwin, pp. 62-69 & Krugman, <i>Journal of Economic Perspectives</i> , Fall 1987
Wed	3/2	Multilateral Trade Policies	HM, Chapter 8 (pp. 216 - 230) & Irwin Chapter 5 (p.138-170)
Mon	3/7	Unilateral Trade Policies	HM, Chapter 8 (pp. 230 - 245) & Irwin, Chapter 4
Wed	3/9	Regional Trade Policies	HM, Chapter 9
Mon	3/14	WTO Debates	Irwin, Chapter 6
Wed	3/16	<b>*Second Exam* - Trade Policy</b>	
Mon	3/21	<b>EASTER BREAK</b>	
Wed	3/23		
Mon	3/28		
Wed	3/30	Globalization and Development - <i>essays due</i>	HM, Chapter 10
Mon	4/4	Introduction to International Finance	HM, Chapter 11
Wed	4/6	The Balance of Payments	HM, Chapter 12
Mon	4/11	The Current Account as Intertemporal Trade	
Wed	4/13	The Foreign Exchange Market	HM, Chapter 13
Mon	4/18	Exchange Rates in the Short and Long-Run	HM, Chapter 14 and 15
Wed	4/20	International Monetary Regimes	HM, Chapter 19
Mon	4/25	The Dollar, the Euro, and International Money	<i>Selected Readings</i>
Wed	4/27	International Financial Crises - <i>essays due</i>	<i>Selected Readings</i>
Fri.	5/6	<b>FINAL EXAM! (8:30am)</b>	