

University of Minnesota - Department of Economics
ECON 4401-International Economics
Fall Semester – 2009

Lecture: Tuesday & Thursday: 2:30 - 3:45 PM; Blegen Hall 140

Instructor:

Name: Deniz Cicek

Office: 3-157 Hanson Hall

Phone: (612) 625 – 7837

Course Website: <http://www.econ.umn.edu/~deniz>

Email: cicek002@umn.edu

*Email is the best way to reach me. Allow up to 24 hours for email responses.

Office hours: Tuesday 3:50-4:50 PM, Wednesday 4:00-5:00 PM, or by appointment.

Prerequisites: Econ 1101 (Introduction to Microeconomics) and Econ 1102 (Introduction to Macroeconomics) are required for this course.

Note: This course is for non-Econ majors only!

Course Description: International Trade plays a vital role in the current interdependent world. A country's growth rate and citizen well-being depend to a large extent on its interactions with the rest of the world. We study international trade theory, trade restrictions, trade policy, and international finance, where the monetary aspects of a country's trade are examined.

Textbook: "Husted, Steven and Michael Melvin, International Economics, Eighth Edition", is the text for this course. Owning this textbook is required. It may be purchased at the University Bookstore in Coffman Union or online. Some additional readings (e.g., articles from magazines such as The Economist) will also be given as a complement to the material in the book.

I suggest that you review the textbook chapter before the lecture on a given subject. As you read, focus on the major concepts and issues; if anything is unclear, make it a point to ask for clarification in class. This familiarity with the material will make our lectures much more productive and educational for you.

Exams: There will be one midterm and one final exam for this class. All exams are closed book and closed note. No cooperation is allowed during the tests, and any attempts of dishonesty will be punished with as much severity as the University permits.

The midterm exam is scheduled for Thursday, October 29, in class. There will be no makeup exam for the midterm. Only if you have documented special circumstances, your final exam score will count for the midterm. If you disagree with the grading of the midterm, you may submit it for my review. You must submit the disputes within one week of having been returned the exam.

The final exam is scheduled for Tuesday, December 22, from 10:30 AM to 12:30 PM, in class. The final exam is cumulative, and covers all the material in the course. If you have another final scheduled at the same time as our final or have 3 finals scheduled within 16 hours, you may take the makeup final at a date and time yet to be determined (most likely on the last day of exams). You **MUST** register for the makeup final with the appropriate documentation (printed registration from web including finals schedule) in the last 3 weeks of class.

Homework Assignments: There will be 4 homework assignments. Assignments will be posted on the course website.

Assignments are due at the beginning of the class on the due date. No late assignments will be accepted. Only documented special circumstances (e.g., illness, family emergency) will exempt you from this rule.

All assignments must be typed according to the department's policy. 20% of the assignment grade will be deducted for not typing an assignment. Graphs and numerical calculations need not be typed, but must be neat and legible. Please staple your assignment, as I am not responsible for missing pages in your problem sets.

Working with others on homework is allowed and encouraged; however, each student must write up his or her own version of a solution, and everyone who collaborated must be acknowledged at the end of the homework. Turning in identical assignments will result in a zero for both parties. Similar assignments will receive a warning the first time and a zero next time.

If you disagree with the grading of an assignment, you may submit it for my review. You must submit these disputes within one week of having been returned the assignment. Assignments written in pencil will not be regraded.

Country Study: Each student must choose a country and complete a 5-7 page report on that country. You can choose any country except the U.S and countries for which writing samples will be provided. No cooperation is allowed for this assignment.

The first draft of your paper is due on Thursday, November 5, and the final paper is due on Thursday, December 3. A more detailed description of this assignment is provided below.

Grading Policy: Final percentages will be determined by

Homework Assignments	25%
Midterm Exam	25%
Final Exam	35%
Country Study	15%

The grading scale is:

A	A-	B+	B	B-	C+	C	C-	D+	D	F
92%- 100%	90%- 91%	88%- 89%	82%- 87%	80%- 81%	78%- 79%	72%- 77%	70%- 71%	68%- 69%	60%- 67%	-59%

I reserve the right to lower these cut-off points (i.e. increase the letter grades for percentages), but I will not raise the cut-offs (i.e. make it harder to get good grades).

Tentative Course Schedule:

The material that will be covered is summarized below. Indeed, what you really need to follow is what we do in class.

International Trade (Weeks 1-8)

1. Introduction to International Trade and Trade Facts (Chapter 1)
2. Tools of Analysis for International Trade Models (Chapter 2)
3. Classical Model of International Trade (Chapter 3)
4. Heckscher-Ohlin Model (Chapter 4)
5. Tests of Trade Models (Chapter 5)
6. Trade Restrictions and Protection (Chapters 6, 7)
7. U.S. Commercial Policy & WTO (Chapter 8)
8. Preferential Trade Arrangements (Chapter 9)
9. (If time) International Trade and Economic Growth (Chapter 10)

International Finance (Weeks 9-15)

10. Introduction to International Finance (Chapter 11)
11. Balance of Payments (Chapter 12)
12. Foreign-Exchange Market (Chapters 13)
13. Prices and Exchange Rates (Chapter 14)
14. Interest Rates and Exchange Rates (Chapter 15)
15. Foreign Investment & International Banking (Chapters 16, 20)
16. Basic Theories of Balance of Payments (Chapter 17)
17. International Monetary Systems (Chapter 19)
18. (If time) Other topics

COUNTRY STUDY

Each student must choose a country and complete a 5-7 page report on that country. You can choose any country except the U.S and countries for which writing samples will be provided. No cooperation is allowed for this assignment.

Objective: To present clear and concise information about important aspects and features of international trade and finance of your chosen country.

The following is the minimum list of questions that must be addressed in the report. Each topic should be analyzed in a different paragraph and at least **ten years** of data analysis and explanation of any significant changes are expected. Data reporting is not itself sufficient. You must discuss the observed trends and provide an explanation/intuition.

- 1) What are the major effects of current trends in international trade and financial markets on this country's domestic economy? What are the major international trade issues related to this country's current economic situation? You may analyze issues involving trade disputes, commercial policies, or preferential trade arrangements, etc. (15 points)
- 2) How important is international trade to this country? You may report the volume of international trade (exports + imports in goods and services) relative to its GDP, and its balance of trade or current account balance, and then analyze how/why they have changed over the time period of your study. (15 points)
- 3) What are this country's major trading partners? You may discuss the top five countries (importers/exporters) and the interaction(s) with your chosen country. (10 points)
- 4) What constitutes the majority of international trade in this country? What are its major export and import commodities? You may discuss the top five commodities (imported/exported) and provide explanation for your country's trade patterns. (10 points)
- 5) What trade restrictions are currently used? Why? You may report tariff rates, quotas, or other commercial policies on major export and import commodities. Is this country a WTO member? If so, how have its trade barriers changed since its accession to the WTO? Was your country an important player in the latest Doha negotiations? How? (15 points)
- 6) What is the level of this country's institutional development? You may report transparency, corruption perception, or institutional development indices provided by the World Bank (WDI) or Transparency International. (10 points)
- 7) Suggestions for improving trading practices. (10 points)

Format:

The report must be typed in 12-point Times New Roman font and be double-spaced with one-inch margins. It must include tables, charts, and graphs formatted according to specified rules (that will be discussed in class and are also followed closely in the sample reports available online).

You must use a variety of resources and cite them properly. You may use academic journals, popular magazines (The Economist, etc.), and/or reports from various institutions (the country's central bank, the country's Ministry of Commerce/Trade, the IMF, the World Bank etc.). A comprehensive list of data sources is available on the class website. You may use tables, graphs, or maps to present information.

At the end of the report you must give a list of references including Internet Resources (URLs). You should use a well accepted bibliography format such as the MLE or the format used by economic journals such as the Journal of Political Economy, the American Economic Review, etc.

Grading and Timeline:

Thursday, November 5. Turn in a first draft of your paper (20 %). The draft will be returned with an evaluation and suggestions for revisions. This is the most important step toward successful completion of the project since you will receive feedback.

Thursday, December 3. Turn in your final paper along with your first draft (80%). This is relatively easier than the previous step since you will know exactly what to do. It counts for a major part of the grade as I expect you will do a great job after the feedback you've received and it will allow you to get a high overall grade on the country study. Your grade of the final draft will be determined by:

1. Content (85 points as shown above),
2. Accuracy and relevance of information (10 points), and
3. Overall presentation (5 points).