

**University of Waterloo**  
**Department of Economics**  
**ECON 231-002**  
**Introduction to International Economics**  
**Fall 2014**  
**M,TH 4:00pm – 5:20pm, MC 4045**

**Instructor Information**

Instructor: Wokia Kumase

Office: PAS 1049

Office Phone: 519 888 4567 ext. 37073

Office Hours: F 1:00pm – 3:00pm or by appointment

Email: wkumase@uwaterloo.ca

**TA:** TBA

TA office hours: TBA

**NOTE:**

- When sending an email, “Econ 231” must appear in the subject line and the message must include your full name and student ID number.
- Please use emails for administrative matters only. I will be available during office hours, or by appointment, to discuss course material.

**Prerequisites:**

Econ 101 and 102

**Course Description**

The main objective of this course is to introduce students to the critical economic issues that result from a country’s interaction with the rest of the world. That is, trade with other countries, international factor mobility, protectionism versus supranational economic integration, current account imbalances and exchange rate volatility just to name a few.

The course is divided into two parts: i) international trade and ii) international macroeconomics. In the first part, we examine why countries trade, how international trade and factor mobility affect economies within and across countries in terms of production, employment, consumption, and welfare, and how trade policies can alter the gains from trade.

In the second part, we study the foreign exchange market, its main determinants, as well as macroeconomic policy under floating and fixed exchange rate regimes. We will also discuss the international flow of financial assets in the world economy.

**Required Textbook:**

Krugman, R. Paul, Maurice Obstfeld & Marc J. Melitz: **International Economics: Theory and Policy**, 10<sup>th</sup> Edt., Pearson Wesley Publishers Limited, 2012. A reference copy will also be placed on reserve in the library.

MyEconLab and study guide that accompany this textbook are optional

**Other References:**

- Feenstra, C. Robert & Alan M. Taylor, **International Economics**, 2<sup>nd</sup> Edt., Worth Publishers, 2012
- Salvatore, Dominick, **International Economics**, 11<sup>th</sup> Edt., John Wiley & Sons, Inc, 2013

**Where to find this course outline:**

This course outline is available at two locations for the duration of the term:

- Department of Economics website <http://economics.uwaterloo.ca/courses>
- LEARN web site (requires UW userid and password) <http://learn.uwaterloo.ca>

**Additional Resources Available on Learn**

- The lecture overhead slides are posted on LEARN (<http://learn.uwaterloo.ca>)
- The LEARN site is down occasionally. Save the course materials to your computer as soon as they are posted. Always be prepared!
- The content of all exams will be announced in class and on LEARN

## Course Outline

**Part 1 : International Trade Theory**

Chapter 2: World Trade: An Overview

Chapter 3: Labor Productivity and Comparative Advantage: The Ricardian Model

Chapter 4: Specific factors and Income Distribution

Chapter 5: Resources and Trade: The Heckscher-Ohlin Model

Chapter 6: The Standard Trade Model

Chapter 7: External Economies of Scale and International Location of Production

Chapter 8: Firms in Global Economy: Export Decisions, Outsourcing and Multinational Enterprises

**Part 2: International Trade Policy**

Chapter 9: The Instruments of Trade Policy

Chapter 10: The Political Economy of Trade Policy

**Part 3: Exchange Rates and Open-Economy Macroeconomics**

Chapter 14: Exchange Rates and Foreign Exchange Market: An Asset Approach

Chapter 15: Money, Interest Rates and Exchange Rates

## Tentative Class Schedule

**Date: Week 1**

Topic: Course presentation & World Trade: An Overview  
Chapter: 2

**Date: Week 2**

Topic: Labor Productivity and Comparative Advantage: The Ricardian Model  
Chapter: 3

**Date: Week 3**

Topic: Labor Productivity and Comparative Advantage: The Ricardian Model / Specific Factors and Income Distribution  
Chapter: 3 & 4

**Date: Week 4**

Topic: Specific Factors and Income Distribution / Resources and Trade: The H-O Model  
Chapter: 4 & 5

**Date: Week 5**

Topic: The H-O Model / The Standard Trade Model  
Chapter: 5 & 6

**Date: Week 6**

Topic: The Standard Trade Model  
Chapter: 6

**Date: Week 7**

Topic: The Standard Trade Model / External Economies of Scale and International Location of Production  
Chapter: 6 & 7

**Date: Week 8**

Topic: Firms in Global Economy: Export Decisions, Outsourcing and Multinational Enterprises  
Chapter: 8

**Date: Week 9**

Topic: The Instruments of Trade Policy / The Political Economy of Trade Policy  
Chapter: 9 & 10

**Date: Week 10**

Topic: Exchange Rates and Foreign Exchange Market: An Asset Approach  
Chapter: 14

**Date: Week 11**

Topic: Exchange Rates and Foreign Exchange Market: An Asset Approach / Money, Interest Rates and Exchange Rates  
Chapter: 14 & 15

**Date: Week 12**

Topic: Money, Interest Rates and Exchange Rates  
Chapter: 15

## Course Requirements and Assessment

Examinations in this course are based on the material contained in the assigned textbook readings and presented as lecture contents (which are strong complements, not substitutes). The course grade will be based on two midterm exams and a final exams which will be held during the Official Examination Schedule. The rooms assigned for the midterm exams will be announced in class and on Learn. The breakdown is as follows:

Midterm 1	Thursday Oct. 02, 4:00 – 5:20	25%
Midterm 2	Thursday Nov. 06, 4:00 – 5:20	25%
Final exam (comprehensive)	TBA (Dec. 4 – 19)	50%

## Examination Policy

### *Missing a Midterm Due to Illness During the Term*

- Missing a midterm will automatically result in a grade of zero for that midterm. If the illness can be documented with a UW Verification of Illness Form (the only acceptable document), with approval you may transfer the weight of the missed midterm to the final exam. This remedy is a privilege and not a right.
- Students are advised to notify the instructor in person about the missed exam as soon as they better. Email notification about the missed exam is not accepted.
- You must write at least one midterm to pass the course.

### *Missing the Final Exam Due to Illness*

- Missing the final exam is a very serious matter which automatically results in a grade of zero for the final exam and possibly a failing grade for the course. Please carefully read the Economics Department policy on deferred final exams for instructions.
- No deferred final exam will be provided for students who missed all the exams (including the final exam) in this course.
- It is the responsibility of students to ensure that they write exams in the location, date, and time assigned to their sections. Students writing exams in the wrong section are considered not writing exams at all and will receive a zero mark.

## Fee-Arranged Issues

- Students are responsible for administrative matters concerning their course registration including fee arrangements with the Registrar's Office. No make-up work or other remedies will be given for loss of access to LEARN and academic consequences arising from administrative issues with the Registrar's Office.

### **Electronic Device Policy**

- Turn off all cell phone communication devices and put them away for the duration of the lecture.
- Photographic devices are not permitted in class; this is a University regulation.
- In order to maintain a learning environment in this classroom, I expect the highest level of courtesy and professional behaviour from every student.

### **Attendance Policy**

- Class attendance is an integral part of your educational experience. While attendance is not a graded component of this course, it is an important component in ensuring your complete understanding of the material presented. You are responsible for all material presented in the scheduled lecture periods whether you choose to attend lectures or not.

### **Classroom Protocols**

- I do NOT lend my lecture notes to students for any reason.
- In order to maintain a learning environment in this classroom, I expect the highest level of courtesy and professional behaviour from every student. In particular, be punctual and turn off all audible ringers on all devices during class.
- As a courtesy to others, no eating in class please. If you have coffee, water, etc., please dispose of your garbage when you leave the classroom.
- No private conversations in class will be tolerated.

## **Institutional-required statements for undergraduate course outlines approved by Senate Undergraduate Council, April 14, 2009**

### **Academic Integrity**

In order to maintain a culture of academic integrity, members of the University of Waterloo community are expected to promote honesty, trust, fairness, respect and responsibility. See the [UWaterloo Academic Integrity Webpage \(https://uwaterloo.ca/academic-integrity/\)](https://uwaterloo.ca/academic-integrity/) and the [Arts Academic Integrity Office Webpage \(http://arts.uwaterloo.ca/current-undergraduates/academic-responsibility\)](http://arts.uwaterloo.ca/current-undergraduates/academic-responsibility) for more information.

### **Grievance**

A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read [Policy 70, Student Petitions and Grievances, Section 4 \(https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-70\)](https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-70). When in doubt please be certain to contact the department's administrative assistant who will provide further assistance.

### **Discipline**

A student is expected to know what constitutes academic integrity to avoid committing academic offenses and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offense, or who needs help in learning how to avoid offenses (e.g., plagiarism, cheating) or about "rules" for group work/collaboration should seek guidance from the course professor, academic advisor, or the undergraduate associate dean. For information on categories of offenses and types of penalties, students should refer to [Policy 71, Student Discipline \(http://www.adm.uwaterloo.ca/infosec/Policies/policy71.htm\)](http://www.adm.uwaterloo.ca/infosec/Policies/policy71.htm). For typical penalties check [Guidelines for the Assessment of Penalties \(http://www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.htm\)](http://www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.htm).

### **Appeals**

A decision made or penalty imposed under Policy 70, Student Petitions and Grievances (other than a petition) or Policy 71, Student Discipline may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to [Policy 72, Student Appeals \(http://www.adm.uwaterloo.ca/infosec/Policies/policy72.htm\)](http://www.adm.uwaterloo.ca/infosec/Policies/policy72.htm).

### **Note for Students with Disabilities**

The Office for Persons with Disabilities (OPD), located in Needles Hall, Room 1132, collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the OPD at the beginning of each academic term.