

**University of Waterloo**  
**Department of Economics**  
**Econ 231-Section 002 - Introduction to International Economics**  
**Spring 2012**

**Instructor:** Nafeez Fatima

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**Office Hours:** Thursdays from 1.00 pm to 4.00 pm

(Other times by appointment only)

**Lecture Hours and Location:** Wednesdays from 7.00 pm to 9.50 pm in PAS 2083

**Course Description:**

The primary concern of international economics is to describe and predict the patterns of production, trade and investment among independent countries of the world. The two broad subfields of international economics are international trade and international finance. International trade analysis focuses on interaction among countries through real transactions of physical commodities. The focus of international finance, on the other hand, is the monetary side of the international economics. The main objective of this course is to help students understand the basic economic principles and theories that apply to both international trade and international finance. This course will highlight topics such as sources of comparative advantage, gains from trade, the pattern of trade, effects of trade policy interventions and the argument for and against free trade. Topics on international finance will include balance of payments, determination of exchange rates and international capital markets. After completion of this course, the students will be able to understand the structure and functioning of the modern international and global economy. They will be better equipped to form critical judgements and opinions about issues such as protectionism, globalization and the impact of trade on economic growth and development for countries of the world.

### **Course Objectives:**

- Learn the basic international trade models and their applications.
- Study the methods and objectives of trade instruments (tariffs, quotas, subsidies etc).
- Explore the role of various international institutions in global economy (WB, IMF and WTO).
- Evaluate arguments for and against free trade and “political economy” views of trade policy.
- Investigate the trade policy issues of developed and developing countries.
- Study national income accounts and determination of exchange rates.

**Prerequisites:** Econ 101 and Econ 102.

### **Required Textbook:**

Krugman, R. Paul, Maurice Obstfeld & Marc J. Melitz, *International Economics: Theory and Policy*, Ninth Edition, Pearson Wesley Publishers Limited, 2010.

Students can also use the eighth edition of the textbook, however it is your responsibility to cover the new materials included in the ninth edition.

My EconLab and study guide that accompany this textbook are optional.

### **Resources:**

Course related materials including lecture notes are posted on Learn at:

#### **1125 Spring 2012 ECON 231 International Economics**

The content of the exams will be announced in class and on Learn. Students are responsible for visiting this site frequently. It is highly recommended that students attend the lectures and read the textbook. Lecture notes are provided as a supplement to the text book. One copy of the textbook will be placed on reserve in the Dana Porter library for three hours.

### **Course Evaluation:**

Student evaluation for this course will consist of two in-class midterm exams and a final exam. The exams will include both multiple choice questions and short questions. The rooms assigned for the midterm exams will be announced later in class and on Learn. Final exam will be comprehensive; it will comprise of all materials covered in this course. The final exam date will be announced by the Registrar's Office. The final exam period for Spring 2012 term will be from July 30 to August 10. Students are expected to be available during this time. An alternative final exam time is not allowed on the ground of travel plans.

### **The Exam Schedule:**

<b>Exams</b>	<b>Date</b>	<b>Syllabus</b>	<b>Weight</b>
<b>Midterm 1</b>	<b>Wednesday, June 6</b>	<b>Chapters 2, 3, 4 &amp; 5</b>	<b>25%</b>
<b>Midterm 2</b>	<b>Wednesday, July 11</b>	<b>Chapters 6, 7, 8 &amp; 9</b>	<b>25%</b>
<b>Final</b>	<b>TBA</b>	<b>Comprehensive</b>	<b>50%</b>

### **Policy for Missed Exams:**

No make-up midterm exam will be provided for this course. Students who do not have a relevant medical certificate will receive a mark of zero on any missed exam and their final grade will be assigned in accordance with the formula specified above. For students who have valid medical certificate (approved by the instructor), the weight of the missed exam will be transferred to the final exam. Policy regarding the missed final exam can be found at: <http://www.economics.uwaterloo.ca/DeferredExams.html> Students are advised to notify the instructor in person about the missed exam as soon as they are better. E-mail notification about the missed exam is not accepted.

### **Grades:**

Exam marks will be posted on Learn. Posting grades in public places or sending grades by e-mail are prohibited by university regulations.

**Remarking Policy:**

If any student feels that the exam is not marked properly, he/she must inform the instructor within 6 days of the date on which the grades are posted on Learn. Please be advised that the entire test will be remarked and the grade may improve, remain unchanged or perhaps even decrease as a result of the remarking process.

**Topics covered:****(I).Part 1: International Trade Theory (Chapters 2, 3, 4, 5, 6, 7 & 8)**

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

**(II). Part 2: International Trade Policy (Chapters 9, 10 & 11)**

Chapter 9: The Instruments of Trade Policy

Chapter 10: The Political Economy of Trade Policy

Chapter 11: Trade Policy in Developing Countries

**(III) Part 3: Exchange Rates and Open-Economy Macroeconomics (Chapters 13 & 14)**

Chapter 13: National Income Accounting and the Balance of Payments

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

### Tentative Class Schedule and Reading List:

Week	Date	Lecture Topics and Related Readings
1	May 2	Course Outline & World Trade: An Overview (Chapter 2)
2	May 9	Labor Productivity and Comparative Advantage: The Ricardian Model (Chapter 3)
3	May 16	Specific factors and Income Distribution (Chapter 4)
4	May 23	Resources and Trade: The Heckscher-Ohlin Model (Chapter 5)
5	May 30	The Standard Trade Model (Chapter 6) & <b>Review</b>
<b>6</b>	<b>June 6</b>	External Economies of Scale and International Location of Production (Chapter 7) & <b>Midterm Exam 1</b>
7	June 13	External Economies of Scale and International Location of Production (Chapter 7) & Firms in Global Economy: Export Decisions, Outsourcing and Multinational Enterprises (Chapter 8)
8	June 20	Firms in Global Economy: Export Decisions, Outsourcing and Multinational Enterprises (Chapter 8) & The Instruments of Trade Policy (Chapter 9)
9	June 27	The Instruments of Trade Policy (Chapter 9), The Political Economy of Trade Policy (Chapter 10) & <b>Review</b>
<b>10</b>	<b>July 4</b>	<b>No Class</b>
<b>11</b>	<b>July 11</b>	Trade Policy in Developing Countries (Chapter 11) & <b>Midterm Exam 2</b>
12	July 18	National Income Accounting and the Balance of Payments (Chapter 13) & Exchange Rate and the Foreign Exchange Market: An Asset Approach (Chapter 14)
13	July 25	Exchange rate and the Foreign Exchange Market: An Asset Approach (Chapter 14) & <b>Review for Final Exam</b>

**\*\*\*\*This course schedule is tentative. There may be addition or slight modification in this schedule given the pace of the class.\*\*\*\***

**Notes:**

Although it is not mandatory, attendance is highly recommended. Some of the materials covered in the class will not be included in the lecture notes so it is strongly advised that students attend classes regularly. Student participation in class is also highly encouraged. Since, the course contents are technical in nature; a person to person communication is preferred to answer questions. Students are welcome to ask any questions during the regular office hours. Regarding e-mail communication, students should use the university e-mail address. When sending an e-mail, write **Econ 231 Section 002** on the subject line and include your name and student ID number.

**Notes on Avoidance of Academic Offences:**

**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. [Check [www.uwaterloo.ca/academicintegrity/](http://www.uwaterloo.ca/academicintegrity/) 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, [www.adm.uwaterloo.ca/infosec/Policies/policy70.htm](http://www.adm.uwaterloo.ca/infosec/Policies/policy70.htm). 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 [check [www.uwaterloo.ca/academicintegrity/](http://www.uwaterloo.ca/academicintegrity/)] to avoid committing an academic offence, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about "rules" for group work/collaboration should seek guidance from the course instructor, academic advisor, or the undergraduate Associate Dean. For information on categories of offences and types of penalties, students should refer to Policy 71, Student Discipline,

[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, [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)

[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.

**Turnitin.com:** Plagiarism detection software (Turnitin) will be used to screen assignments in this course. This is being done to verify that use of all material and sources in assignments is documented. In the first week of the term, details will be provided about the arrangements for the use of Turnitin in this course.

Note: students must be given a reasonable option if they do not want to have their assignment screened by Turnitin. See:

<http://uwaterloo.ca/academicintegrity/Turnitin/index.html> for more information.