

University of Waterloo
Department of Economics
Econ 231 - Section 001 - Introduction to International Economics
Winter 2017

Instructor: Nafeez Fatima

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Office Hours: Mondays from 5.30 pm to 7.00 pm

(Other times by appointment only)

Lecture Hours and Location: MWF from 4.30 pm to 5.20 pm in EV3 1408

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***, Tenth Edition, Pearson Wesley Publishers Limited, 2015.

Students can also use the ninth 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.

Useful References

Feenstra, C. Robert & Alan M. Taylor, ***International Trade***, Second Edition, Worth Publishers, 2011

Salvatore, Dominick, ***International Economics***, Eighth Edition, John Wiley & Sons, Inc, 2004

James Markusen, Melvin, Kaempfer & Maskus, ***International Trade : Theory and Evidence*** at <http://spot.colorado.edu/~markusen/textbook.html>

Important Websites

Countries and Regions (www.worldbank.org/html/extdr/regions.htm)

World Bank Development Data and Statistics (www.worldbank.org/data/)

International Monetary Fund (www.imf.org)

IMF World Economic Outlook (www.imf.org/external/pubs/ft/weo/2005/01/index-htm)

United Nations Economic and Social Development (www.un.org/ecosocdev/)

United Nations Statistics Division (unstats.un.org/unsd/)

United Nations Development Program (www.undp.org)

Resources

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

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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 Winter 2017 term will be from April 7 to April 25. 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

Exams	Date	Syllabus	Weight
Midterm 1	Monday, February 13	Chapters 2, 3, 4 & 5	25%
Midterm 2	Monday, March 20	Chapters 6, 7, 8 & 9	25%
Final	TBA	Comprehensive	50%

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 <https://uwaterloo.ca/economics/current-undergraduates/policies-and-resources/deferred-final-exam-policy>

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 14)

Chapter 14: Exchange Rates and Foreign Exchange Market: An Asset Approach (time permitting)

Tentative Class Schedule and Reading List

Week	Date	Lecture Topics and Related Readings
1	January 4 January 6	Course Outline & World Trade: An Overview (Chapter 2)
2	January 9 January 11 January 13	Labor Productivity and Comparative Advantage: The Ricardian Model (Chapter 3)
3	January 16 January 18 January 20	Labor Productivity and Comparative Advantage: The Ricardian Model (Chapter 3) & Specific factors and Income Distribution (Chapter 4)
4	January 23 January 25 January 27	Specific factors and Income Distribution (Chapter 4) & Resources and Trade: The Heckscher-Ohlin Model (Chapter 5)
5	January 30 February 1 February 3	The Heckscher-Ohlin Model (Chapter 5) & The Standard Trade Model (Chapter 6)
6	February 6 February 8 February 10	The Standard Trade Model (Chapter 6) & Review for Midterm Exam 1
7	February 13 February 15 February 17	Midterm 1 External Economies of Scale and International Location of Production (Chapter 7)
8	February 20 February 22 February 24	Reading Week - No Class
9	February 27 March 1 Mach 3	Firms in Global Economy: Export Decisions, Outsourcing and Multinational Enterprises (Chapter 8) & The Instruments of Trade Policy (Chapter 9)
10	March 6 March 8 March 10	The Instruments of Trade Policy (Chapter 9), The Political Economy of Trade Policy (Chapter 10)
11	March 13 March 15	The Political Economy of Trade Policy (Chapter 10) & Review for Midterm Exam 2

	March 17	
12	March 20 March 22 March 24	Midterm 2 Trade Policy in Developing Countries (Chapter 11) & Exchange Rate and the Foreign Exchange Market: An Asset Approach (Chapter 14)
13	March 27 March 29 March 31	Exchange rate and the Foreign Exchange Market: An Asset Approach (Chapter 14) & Review for Final Exam
14	April 3	Exchange rate and the Foreign Exchange Market: An Asset Approach (Chapter 14) & Review for Final Exam

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

Relevant Journal Articles: (time permitting - will be discussed in class)

1. Paul Krugman (1998), "Two Cheers for Formalism," *The Economic Journal*, vol. 108 (451), p. 1829-36.
2. Paul Krugman (1993), "What Do Undergrads Need to Know About Trade?," *American Economic Review Papers and Proceedings*, p. 23-26.
3. Paul Krugman, "Ricardo's Difficult Idea," can be retrieved from web: mit.edu/krugman/www/ricardo.htm
4. Freeman, Richard B (1995), "Are Your Wages Set in Beijing?," *Journal of Economic Perspectives*, American Economic Association, vol. 9(3), p. 15-32.
5. Williamson & O'Rourke, "The Heckscher-Ohlin Model Between 1400 and 2000: When It Explained Factor Price Convergence, When It Did Not, and Why," *National Bureau of Economic Research (NBER), Working Papers 7411*.
6. Donald R. Davis & David E. Weinstein (2001), "An Account of Global Factor Trade," *American Economic Review*, American Economic Association, vol. 91(5), p. 1423-1453.
7. Paul Krugman (1979), "Increasing returns, monopolistic competition, and international trade", *Journal of International Economics*, vol. 9 (4), p. 469-479.

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 001** on the subject line and include your name and student ID number.

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/>) and the Arts Academic Integrity Office Webpage (<http://arts.uwaterloo.ca/current-undergraduates/academic-responsibility>) for more information.

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. When misconduct has been found to have occurred, **including writing exams in a section that you are not registered in**, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to Policy 71 - Student Discipline,

<http://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-71>. For typical penalties check Guidelines for the Assessment of Penalties (<http://www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.htm>).

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,

<http://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-70>

In addition, read <http://arts.uwaterloo.ca/student-grievances-faculty-arts-processes> for the Faculty of Arts' grievance processes.

Appeals:

A student may appeal the finding and/or penalty in a decision made under Policy 70 - Student Petitions and Grievances (other than regarding a petition) or Policy 71 - Student Discipline if a ground for an appeal can be established. Read Policy 72 - Student Appeals, <http://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-72>.

Note for students with disabilities:

The AccessAbility Services (AS) Office, 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 AS Office at the beginning of each academic term.