

American University
SIS 616, Spring 2008
Wednesdays 2:10-4:50PM

INTERNATIONAL ECONOMICS

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Course description

International economics consists of the application of the principles of micro- and macro-economics to the realistic case of countries open to trade and capital flows across borders. It covers why international trade in goods and services takes place and what are its many consequences; the motivation for and consequences of barriers to trade; the pros and cons of joining trade blocks; the role of trade in economic development; the part played by multinational companies specifically, and foreign investors generally; the established accounting for cross-border trade and financial transactions; the workings of the foreign exchange market; the rationale behind and effects of different exchange-rate policy regimes; the underlying reasons for international financial crises; and the interplay between international and domestic macroeconomic forces.

This course serves as a stand-alone introduction to the subject and also as the “gateway” course to the International Economic Relations (IER) field, as is therefore offered every semester. It is the prerequisite for taking “International Trade and Investment Relations” (SIS 665) and “International Finance and Monetary Relations” (SIS 666).

Course requirements and grading

The course assumes that students have taken at least one semester each of micro- and macro-economics, or at the very least Econ 603 – and that they remember the basic concepts, or are willing to re-learn them on their own. It emphasizes and tests for the understanding and application of economic concepts, rather than the mastering of any mathematical or statistical techniques.

The course requirements are, first, three (3) in-class, closed-book, non-cumulative, multiple-choice tests that together account for 70% of the final grade (30% + 20% + 20%, respectively, in proportional reflection of the number of chapters covered). The purpose of these objective tests is to measure students’ understanding and mastery of the textbook material, which will be highlighted during the class lectures and is summarized in accompanying PowerPoint slides posted in Blackboard. Sheer

memorization of these slides, however, will not prove sufficient to do well in the tests. The required textbook, which will be read pretty much cover-to-cover, is International Economics by Thomas A. Pugel (New York: McGraw-Hill/Irwin, 2007), 13th edition.

The second course requirement is made up of two (2) relatively brief (maximum 1,000 words each) take-home article reviews that together account for an additional 20% of the grade (10% each). The purpose of this assignment is to expose students to any two very recent, state-of-the-art, empirical research papers in international economics, thereby developing an appreciation of what publishable research in this field is currently all about. Students are to pick from one of four such papers linked to material covered in the first half of the course, and later pick from one of four such papers linked to material covered in the second half. Even though students are not expected to understand these papers thoroughly, they should get their gist and be able to write up a review – *not a summary* – commenting on whether the papers put forth and then tested an interesting hypothesis, whether the empirical results were convincing, if the papers have any important policy implications, and the like. The selection of eight papers (4 + 4) is posted in Blackboard. Please send the two reviews via e-mail to the professor.

The third course requirement consists of five (5) very brief (maximum one paragraph each) comments on data releases or policy measures *pertaining to international economics* in any one country, which together account for a final 10% of the grade (2% each). The objective here is to expose students to news sources and to five different data releases or policy announcements relating to international trade or financial flows in a single country of their choice, which appeared in the press during the Spring term. For example, if a student adopts Venezuela, one of these comments might be about the foreign trade surplus the country posted in February, about restrictions to foreign investment that were imposed in March, or about an increase in tourism earnings recorded in April. Students will please include an electronic link to the news story that they have chosen to highlight. Please send the five comments *all at once* via e-mail to the professor.

Being a member of the AU academic community entitles each of us to a wide degree of freedom and the pursuit of scholarly interests; with that freedom, however, comes a responsibility to uphold the high ethical standards of scholarly conduct. By registering in this course, students acknowledge their awareness of the Academic Integrity Code, and are obliged to become familiar with their rights and responsibilities therein. All work done in class or outside of class, whether oral or written, is governed by its provisions. Academic violations include, but are not limited to, plagiarism, inappropriate collaboration, dishonesty in examinations whether in class or take-home, dishonesty in papers, work done for one course and submitted for another, deliberate falsification of data, interference with other students' work, and copyright violations. The adjudication process and possible penalties are listed in AU's Academic Integrity Code booklet, and is also available on the AU website (see www.american.edu/academics/integrity/).

Schedule

January 16: Theories of international trade

Required reading: Pugel, Chapters 2, 3 and 4

January 23: Theories of international trade, cont'd

Required reading: Pugel, Chapters 5 and 6

January 30: Trade policies

Required reading: Pugel, Chapters 8 and 9

February 6: Trade policies, cont'd

Required reading: Pugel, Chapters 10 and 11

February 13: Test #1 (covering material in prior four class meetings) and Trade policies, cont'd (after Test #1)

Required reading: Pugel, Chapter 12

February 20: Trade policies, cont'd

Required reading: Pugel, Chapters 14 and 15

February 27: The balance of payments and foreign exchange market; Review #1 of any one of four research papers due by 6AM on Monday, March 3

Required reading: Pugel, Chapters 16 and 17

March 5: Foreign exchange market

Required reading: Pugel, Chapter 18

March 12: No class meeting: Spring Break

March 19: Test #2 (covering material in prior four class meetings) and Exchange-rate policies (after Test #2)

Required reading: Pugel, Chapter 19

March 26: Exchange-rate policies, cont'd

Required reading: Pugel, Chapter 20

April 2: International financial crises

Required reading: Pugel, Chapter 21

April 9: Open-economy macroeconomics

Required reading: Pugel, Chapters 22 and 23

April 16: Open-economy macroeconomics, cont'd

Required reading: Pugel, Chapters 24 and 25

April 23: Test #3 (covering material in the prior five class meetings); Review #2 of any one of four research papers, and five comments on data releases or policy measures, due by 6AM on Monday, April 28