RINT 502 Economics for Global Affairs

This is an intermediate microeconomics and macroeconomics course aimed at students without an economics background and providing a formal framework to introduce basic economic concepts, tools and issues. The course progresses from the building blocks of economics to their application in the microeconomic context of households and firms; the introduction of government then provides the rationale for aggregating the analysis to the macroeconomic level, focusing on goods, money and factor markets. In transitioning from a closed to an open economy context, there is a progressive adaptation of the analysis to contemporary cross-national economic issues.

This course is designed for professional students in the Master of International Affairs degree program. As such, it will also provide a foundation for courses in the Global Economic Policy concentration as well as a broad overview of key concepts and information that will be useful to students who chose other concentrations in the program.

Students who pass a microeconomics and macroeconomics placement examination may take a more advanced economics class as a substitute.

Instructor: Prof. Kenneth Coates, kcoates51@gmail.com

Prerequisite: Completion or concurrent enrollment in IA 503 Quantitative Approaches to International Affairs.

Course objectives:
By the end of this course, students should have improved their grasp of economic reasoning and:

- Become familiar with the key building blocks of micro- and macroeconomic theory and understand the basic concepts pertaining to rational decision-making by individuals, firms and governments in different types of markets.
- Be able to delineate the two main theoretical approaches to macroeconomic management and explain the differing assumptions each is based on.
- Appreciate the limits of closed-economy models and have a basic understanding of the complexities of macroeconomic management in an interconnected global economy.
- Feel comfortable in applying economic principles and precedents to the analysis of issues pertaining to the international sphere.

Teaching and learning modalities:
This course will be taught as a combination of lectures and group discussions. The course work will include homework assignments, quizzes, position papers and exams. In addition to class discussions via Blackboard, we will utilize the synchronous distance-learning tool, Zoom, to enable members of the class and guest lecturers to join class from remote locations.

Grading:
The approximate weights of the different contributors to the evaluation of a final grade shall be:

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<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>attendance and class participation</td>
<td>15%</td>
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<tr>
<td>scoring on quizzes</td>
<td>15%</td>
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<tr>
<td>midterm exam</td>
<td>20%</td>
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<tr>
<td>position paper</td>
<td>20%</td>
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<tr>
<td>final exam</td>
<td>30%</td>
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Textbook:

Required: David Begg, Gianluigi Vernasca, Stanley Fischer and Rudiger Dornbusch, *Economics*, McGraw-Hill 2014 (11th edition, henceforth BVFD). If you are using another edition, be advised that the chapter numbers do not correspond in all cases. Students should read the assigned chapters and other readings before classes.

Outline of Topics and Readings:

Session 1 09/01/16 Revision of Basic Math applicable to Economic Analysis: No matrix algebra or econometric regression involved, but this refresher session is designed to ensure that students are able to handle the basic language of economic arguments and diagrams, i.e. plane geometry, function, graph, slope and derivative. Reading: Rosser, M. *Basic Mathematics for Economists* (2003) Routledge, second edition, Chs. 1 to 5. Alternatively, Thomas, R. L. *Using Mathematics in Economics* (1999) Addison Wesley, second edition, Chs. 1&2.

Session 2 09/08/16 The Building Blocks of Economics: Basic concepts, tools and methods with which the economic edifice is modelled. The economic problem framed in terms of scarcity, desirability, resources, productive efficiency, opportunity cost and price. Reading: BVFD, Chs. 1-2

Session 3 09/15/16 Economic Choices of the Household – How the most basic unit in the economy makes its choices. Utility, indifference curves, rationality, budget constraints, income and substitution effects, market demand. Reading: BVFD, Chs. 4-5

Session 4 09/22/16 Economic Choices of the Firm – factors of production, productive efficiency, average and marginal product, returns to scale, cost functions, marginal revenue and profit maximization. Reading: BFVD, Chs. 6-7

Session 5 09/29/16 The Working of Markets – interaction of demand and supply curves, price equilibrium, *ceteris paribus* and shifts in the curves, the effect of income changes, normal, superior and inferior goods, substitute and complementary goods. Reading: BVFD, Ch. 3

Session 6 10/06/16 Market Structure and Failure - competitive equilibrium, monopolies and imperfect competition; strategic policies and game theory. Reading: BVFD, Chs. 8-9.

Session 7 10/13/16 Enter the Government - welfare economics - the role of government, externalities and the environment, taxation and spending, fiscal policy, automatic stabilizers, national debt. Reading: BVFD, Chs. 13-14.

Session 8 10/27/16 Why Macroeconomics? - the problem of aggregation, the need for macroeconomics, unemployment, money supply, inflation, financial stability, the business cycle, national output, income and expenditure. Reading: BVFD, Ch. 15.

Session 9 11/03/16 The Goods Market – the consumption function, savings, investment, aggregate demand, equilibrium and the IS curve, fiscal policy and the multiplier effect, Say’s law and the paradox of thrift. Reading: BVFD, Ch. 16.

Session 10 11/10/16 The Money Market – money, properties and uses; the money supply, base money and the banking system, reserve requirements and the deposit multiplier, liquid assets, interest rates, liquidity preference, bonds, equilibrium and the LM curve. Reading: BVFD, Chs. 18-19.

**Session 12 12/01/16 Economies open to Trade** – Gains from trade, Impact on Income and Expenditure, Balance of Payments, leakages from fiscal policy, impact on employment, trade integration, exchange rates and export competitiveness. Reading: BVFD, Chs. 21-23.

**Session 13 12/08/16 Economies open to Capital Flows** – the impact of arbitrage, impossible trinity, pros and cons of fixed and floating exchange rates, external indebtedness, real exchange rates. Reading: BVFD, Ch. 24-25.