

**University at Albany  
State University of New York  
Department of Economics**

**Eco360: International Economics**

**Call No. 2164; Spring 2006  
MWF 1:40PM-2:35PM; SS 116**

**Instructor:**

Xin Yuan

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Office Hours: Mondays and Fridays 12:30pm-1:30pm and by appointment

**Prerequisites:**

The prerequisites for this course are A Eco 110M and A Eco 111M (Principles of Microeconomics and of Macroeconomics). The Economics Department intends to deregister students whose Albany course records do not show that the required courses were completed with passing grades. This may occur as late as the end of the semester, and students will be assigned a W grade by the Registrar. Individual exceptions to the prerequisite requirements require written permission of the instructor and approval by the Director of Undergraduate Studies in Economics during the drop/add period.

**Overview:**

International economics is different. Being sovereign, nations work for their own interests, and can put all sorts of barriers between their residents and the outside world. Nations have different factor endowment and mobility, different currencies, different barriers to trade, and different fiscal policies.

However, international economics uses the same fundamental methods of analysis as other branches of economics, because the motives and behaviors of individuals and firms are the same in international trade as they are in domestic transactions. The subject matter of international economics, then, consists of issues such as the gains from trade, the pattern of trade, protectionism, international financial markets, the balance of payments, exchange rate determination, and government policy intervention.

We will begin by uncovering the motives behind international trade and the gains and losses from trade. Then our attention will turn to the government intervention, and its effect on the pattern and the volume of trade. Finally we will discuss the importance of international financial markets, especially foreign exchange markets. The main goal of

this course is to equip each of you with the ability to construct a logical analysis of a variety of international economic issues. To accomplish this goal, we will develop and manipulate some relatively simple economic models that will allow us to ask questions and find answers to them. This course is not primarily one of facts and figures (although there are some of that), but one of analysis. Consequently, this course is not about memorization, but about learning how to approach an issue, construct a meaningful question, and most importantly, to become proficient at using a logical procedure that will lead to an answer to the question.

### **Required Textbook:**

*International Economics*

By Thomas A. Pugel, 12<sup>th</sup> edition, 2004, McGraw-Hill/Irwin.

### **Online Resources:**

Course website: [www.albany.edu/~xy7346/eco360.htm](http://www.albany.edu/~xy7346/eco360.htm)

Exercise solutions, review questions, supplementary materials and cancellation of classes are posted on the course website. It is *strongly recommended* that you check frequently for important announcements.

It is *strongly recommended* that you also make full use of the student online learning center, provided by the textbook publisher.

[http://highered.mcgraw-hill.com/sites/0072487488/student\\_view0/index.html](http://highered.mcgraw-hill.com/sites/0072487488/student_view0/index.html)

It provides helpful resources, like quizzes, PowerPoint slides, interactive graphing exercises, study guide samples, glossary, econ web links and career center, etc.

### **Requirements and Grading:**

The final course grade will be based on exams and extra credits, weighted as follows:

1st exam	in class	Feb. 27 Monday	(tentative)	35%
2nd exam	in class	Mar. 29 Wednesday	(tentative)	30%
Final exam	departmental exam,	time and location to be announced		35%

Extra credits: Up to 5 points according to active class participation, 1 point per question answered (no matter right or wrong).

Students are responsible for **all and only** the materials and announcements made in class and on the course website. To help you better prepare for exams, review questions will be given before each one. Exams are **not** cumulative, but the class materials are highly cumulative. Materials covered in each part of the course will require deep understanding of previous concepts and theories. In the past, approximately 50% of students in this class who completed the course received B- or above. There is some fluctuation of grade distributions depending upon the performance of each class.

Exams must be taken by all students at the scheduled time. Make-up exams will be given only in exceptional circumstances in accordance with University policy. Absences must be approved by me before the scheduled exam time.

### **Class Attendance and Conduct:**

Regular attendance is required although attendance would not be a part of grading policy. Past experience strongly indicates that it is an excellent predictor of success in the course. In addition to more obvious benefits, it is your only opportunity to "interrupt" the information flow and request clarification. Active class participation is strongly encouraged. You should ask questions whenever something is unclear- these questions can help clarify issues for everyone.

As a courtesy to your classmates, please arrive on time and stay for the duration. If you need to leave early, please inform me prior to the start of class and take a seat as close to the exit as possible. No eating is allowed in the classroom. All cell phones off please!

### **Academic Integrity:**

The seeking or giving of unauthorized help, or the use of unauthorized resources on exams is a violation of academic integrity and will result in the immediate failure of the student for the course and the filing of charges of academic dishonesty.

### **Outline:**

(Based on textbook) *\*Some chapters will not be covered.*

1. International Economics Is Different

#### **Part I: The Theory of International Trade**

2. The Basic Theory Using Demand and Supply
3. Why Everybody Trades: Comparative Advantage and Factor Proportions
4. Who Gains and Who Loses from Trade?
5. Alternative Theories of Trade
6. Growth and Trade

#### **Part II: Trade Policy**

7. The Basic Analysis of Tariffs
8. Nontariff Barriers to Imports
9. Arguments For and Against Protection
10. Pushing Exports
11. Trade Blocs and Trade Blocks
12. Trade and the Environment
13. Trade Policies for Developing and Transition Countries
14. Multinationals and Migration: International Factor Movements

### **Part III: Understanding Foreign Exchange**

15. Payments Among Nations
16. The Foreign Exchange Market
17. Forward Exchange and International Financial Investment
18. What Determines Exchange Rates
19. Government Policies Toward the Foreign Exchange Market
20. International Lending and Financial Crises

### **Part IV: Macro Policies for Open Economies**

21. How Does the Open Macroeconomy Work?
22. Internal and External Balance with Fixed Exchange Rates
23. Floating Exchange Rates and Internal Balance
24. National and Global Choices: Floating Rates and the Alternatives