

The Ohio State University
International Economics Relations
Summer 2006

Instructor: Ida A. Mirzaie, Ph.D.
Class Meetings: MTWR, 9:30am - 11:18am, DL 0266
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Course Page <http://telr.osu.edu/carmen/>

Office Hours: MTWR, 9:00-9:30, 11:30-12:00, and by appointment

Course Purpose: This course is intended to familiarize the student with basic concepts and tools of international trade and finance.

The text book highlights five themes that are widely discussed by the news media: (1) globalization of economic activity; (2) free trade and quality of life issues; (3) trade conflicts between developing nations and industrial nations; (4) liberalizing trade- the WTO versus regional trading arrangements; and (5) the dollar as a key currency. These themes allow for greater clarity and organization which demonstrates the usefulness of theory.

Required Text: International Economics by Robert J. Carbaugh, South-Western College Publishing, 10th Edition, 2005.

Study Guide for International Economics, Robert J. Carbaugh and James S. Hanson, South-Western College Publishing. 10th Edition, 2005.

Other Readings: A number of outside readings will be assigned in order to introduce current issues related to international economic relations. These readings will be a frame work for class discussions.

Exams, Assignments and grade policy:

Two exams will be given in this class. Each exam will constitute 40% of your final grade. Exams are not cumulative. Each exam will have combination of multiple choice and problem set questions. Three assignments will be given during the session (15% of the grade). The remaining 5 percent of the grade will come from regular class participation.

Your grade will be calculated based on the following distribution:

Two Exams (40 percent each)	%80
Assignments	%15
Attendance and active class participation	%05

Attendance and Classroom Participation: You will be given 7 percentage points at the beginning of the semester. For each absence, you will lose one point automatically. Attendance and active participation in class make 5 percent of your grade. Two first absences will not penalize your final grade. If you are able to attend all classes and continue to be an active member of class, you will earn the two extra credit points. *Coming late or leaving early is counted as an absence.*

Each student is required to know the attendance policy of the University. Furthermore, classroom participation is assumed as part of your minimum requirements. Since the exams are based both on the reading and class lectures, it is important to maintain attendance. Indeed, active participation is essential for success in this type of course.

Make-up exam policy: If there is an extreme emergency due to which you cannot take an exam and you notify me in advance, make up exam will be given. All makeup exams will be in essay forms. You should take both exams in order to receive a passing grade for this course.

Students with disabilities: Students with disabilities that have been certified by the Office for Disabilities Services will be appropriately accommodated, and should inform me as soon as possible of their needs.

Dates to Remember:

- Thursday, June 22nd, Homework I due
- Wednesday, June 28th, Homework II due
- Monday July 3rd, Exam I
- Thursday, July 13th, Homework III Due
- Thursday, July 20th, Final Exam,

Departmental Information: Information on Economics Department policies on participation by students with disabilities, accommodation for religious observances, academic conduct, complaint procedures, grade appeal procedures, and other standing policies (e.g., sexual harassment, incomplete) is available in main office of Economics Department, 410 Arps Hall.

POLICY ON ACADEMIC HONESTY:

Cheating and plagiarism will not be tolerated. This means that you should do your own work, and that you will neither appropriate someone else's work, nor allow someone else to use yours. This applies to copying on exams, homework assignments, or other forms of written work. Any form of cheating which I detect will be dealt with by

reference to University policy including an automatic "F" on the specific assignment or exam, and referral to the department for further actions.

Exam Policy on Cell Phones, and other Electronic Devices

Students are permitted to use nonprogrammable electronic calculators during exams. Sharing of calculators during exams is not allowed. If a student does not own a calculator, he or she should make arrangements to borrow one on exam days. Students should make sure that their calculators are in working order on the days they are to be used.

Cell phones, Personal Digital Assistants (PDA's), pagers, and other electronic devices (with the exception of nonprogrammable calculators) are prohibited at all times during exams. Any use of these devices during exams will be considered an act of cheating. If a cell phone must be brought to exams, it must be turned off and kept out of sight.

CAUTION: This course requires more than the memorization of facts and definitions. More importantly, it requires time and reflection. The most effective and interesting way of learning Economics is by "doing" it. You are strongly encouraged to work in group. Apart from readings handed out in class, it is essential to keep up with current developments in the global economy.

Have a Wonderful Summer!

Course Outline and Readings

Chapter 1 Monday, June 19	Introduction
Chapter 2 Tuesday, June 20	The Mercantilists Absolute versus Comparative Advantage Trading under Constant-Cost Conditions Trading under Increasing-cost Conditions Empirical Testing Demand and the International Trade The Gains from Trade Terms of Trade Theory of Reciprocal Demand Current trade issues and economic integration
Chapter 3 Wednesday, June 21	Factor-Endowment Theory (Heckscher Ohlin Theory) Factor Price Equalization Empirical Tests Economies of Scale and Specialization Interindustry versus intraindustry Trade Product Cycles Dynamic Comparative Advantage: Industrial Policy Transportation costs and trade effects Current trade issues and economic integration
Chapter 4 Thursday, June 22	Tariff Restrictions Effective Tariff versus Nominal Tariff Tariff Welfare Effects Tariff Quota Argument for Trade Restrictions Current trade issues and economic integration Thursday, June 22nd, Homework I due
Chapter 5 Monday, June 26	Quotas versus Tariffs Voluntary Export Restraints Subsidies Dumping Administrative Policies Current trade issues and economic integration
Chapter 6 Tuesday, June 27	Trade Regulations and Industrial Policies GATT and the Uruguay Round Trade Remedy Laws

WTO

Environment and Labor issues
Strategic Trade Policy
Current trade issues and economic integration

Chapter 7
Wednesday, June 28

Trade Policies for the Developing Nations
Unstable Export Market
Worsening Terms of Trade
Stabilizing Commodity Prices
OPEC
Export Promotion vs. Import Substitution
Current trade issues and economic integration

Wednesday, June 28th, Homework II due

Chapter 8
Thursday, June 29

Regional Trading Arrangements
Static & Dynamic Effects
EU
NAFTA
Current trade issues and economic integration

Monday July 3rd, Exam 1

Chapter 9
Wednesday, July 5th

International Factor Movements and Multinational Enterprises
Foreign Direct Investment vs. Licensing
International Joint ventures
Pro and cons for FDI
Immigration
Current trade issues and economic integration

Chapter 10
Thursday, July 6

Balance of Payment
Current account and capital account
The U.S. Balance of Payments
Current issues in international financial market

Chapter 11
Monday, July 10

Foreign Exchange Transactions
Exchange Rate Determination
Effective Exchange Rate
Arbitrage and Forward Market
Speculation
Current issues in international financial market

Chapter 12
Tuesday, July 11

Exchange Rate Determination
Determining Long-Run Exchange Rate
Law of One Price

	<ul style="list-style-type: none"> Purchasing Power Parity Determining Short-Run Exchange Rates: The Asset Market Approach <ul style="list-style-type: none"> Relative Levels of Interest Rate Expectation Exchange Rate Overshooting Forecasting Foreign Exchange Rates Current issues in international financial market
Chapter 14 Thursday, July 13	<ul style="list-style-type: none"> Balance of Payments Adjustments under Fixed Exchange Rates Price Adjustments Interest Rate Adjustments Income Adjustments Monetary Adjustments Current issues in international financial market
Chapter 14 Thursday, July 13	<ul style="list-style-type: none"> Exchange Rate Adjustments and the Balance of Payments Effects of Exchange Rate Changes on Costs and Prices The Elasticity Approach <ul style="list-style-type: none"> J-Curve Effect Exchange Rate Pass-Through The Absorption Approach The Monetary Approach Current issues in international financial market
	Thursday, July 13th, Homework III Due
Chapter 15 Monday, July 17	<ul style="list-style-type: none"> Exchange Rate Systems and Currency Crisis Fixed versus Floating Exchange Rate <ul style="list-style-type: none"> Depreciation versus Appreciation Devaluation versus Evaluation Bretton Woods System of Fixed Exchange Rates Arguments for and Against Floating Rates Managed Floating Rates <ul style="list-style-type: none"> Exchange-Rate Stabilization and Monetary Policy The Crawling Peg Currency Crisis <ul style="list-style-type: none"> Sources of Currency Crisis Capital Control The Credibility of Fixed Exchange Rates <ul style="list-style-type: none"> Currency Board Dollarization Current issues in international financial market

Chapter 16
Tuesday, July 18 Macroeconomic Policy in an Open Economy
Monetary Policy and Fiscal Policy with Fixed Exchange Rates
Monetary Policy and Fiscal Policy with Flexible Exchange Rates
International Economic Policy Coordination
Current issues in international financial market

Chapter 17
Wednesday, July 19 International Banking: Reserves, Debt, and Risk
Demand for International Reserves
Supply of International Reserves
Facilities for Borrowing Reserves
Debt Reduction and Debt Forgiveness
The Eurocurrency Market

Final Exam, Thursday, July 20th