Course description: This course examines the causes and effects of international flows of goods, services, labor, and capital. We will also look at the impact of government policies toward those flows and at the institutions that have been established to regulate international trade and finance, including the World Trade Organization and the International Monetary Fund.

The course considers both the microeconomic and macroeconomic effects of international transactions. In the microeconomic portion of the course, we will consider a number of economic models of international trade in goods and services. We will use these models to predict the effects of free trade as well as the effects of government interventions that would either reduce (e.g., tariffs, quotas) or increase (e.g., export subsidies) the volume of trade. We will also discuss the causes and effects of international flows of labor (migration) and capital (investment).

In the macroeconomic portion of the course, we begin with the balance of payments accounts and what is meant by a balance of payments surplus or deficit. We then look at the factors that influence exchange rates, both in the short run and in the long run. We will discuss how a government, if it chooses, can hold its exchange rate fixed. We will also talk about the effects of international lending and recent financial crises associated with such lending.

Learning goals: This course has four broad goals.

1. The first goal is that students will come out of this course better able to apply economic principles to evaluate international news and policy proposals (e.g., tariffs, free trade areas).
2. At the end of the semester, students will be able to discuss some of the economic features of globalization as well as identify and counter some of the misperceptions about globalization found in the media and elsewhere.
3. Students will become familiar with the institutions of the international economy. This includes international arrangements such as a common market and the most favored nation (MFN) principle as well as international organizations such as the World Trade Organization (WTO) and International Monetary Fund (IMF).
4. For those students who choose to take further economics courses, that this course will prepare them with the theoretical tools and knowledge to be successful.

There are also a number of more specific goals. What follows is a partial list.

1. Students will be able to use the supply and demand model to examine the effects of opening trade between countries, the effects of new trade barriers or subsidies, and their implications for the welfare of producers and consumers in each country.
(2) Students will understand comparative advantage, its implications for international trade patterns, and the impact trade has on factor payments in the countries involved.

(3) Students will understand the effects of international factor flows on the source and host countries.

(4) Students will know how the foreign exchange market works and be able to explain how changes in exogenous factors affect equilibrium exchange rates.

(5) Students will understand how different foreign exchange rate regimes work and how fixed exchange rates can contribute to financial crises.

<table>
<thead>
<tr>
<th>Class</th>
<th>Recitation</th>
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<tbody>
<tr>
<td>Meeting time:</td>
<td>MWTh 10:00-10:50 A.M.</td>
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<tr>
<td>Classroom:</td>
<td>Pollack 001</td>
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</tbody>
</table>

**Office Hours:** MW 3:45-5:00 P.M., Th 12:00-2:00 P.M., or appointment

**Prerequisites:** Successful completion of Economics 2a or Economics 10a and 20a with at least a C or an equivalent course or courses. Knowledge of the material in Economics 2a or Economics 10a and 20a is assumed.

**Course materials:** The required text for this class is Thomas A. Pugel, *International Economics*, 16th Edition (McGraw-Hill, 2016). Supplementary materials will be posted in LATTE on a topic-by-topic basis. You are also encouraged to keep up with international economic news by reading *The New York Times*, *The Economist*, the *Financial Times*, or listening to *National Public Radio* or the *BBC World Service*.

**Grading:** Grades will be assigned according to a curve of the raw course scores computed using the following formula:

- Homework: 10%
- Project: 10%
- Midterm I: 25% (10/9, in recitation.)
- Midterm II: 25% (11/13, in recitation.)
- Final exam: 30% (TBD)

Class participation can also influence your grade.

**Homework:** Homework assignments and due dates will be posted in LATTE. In computing your homework average, I will drop the two lowest homework scores. This means you can skip two homework assignments without direct penalty.

**Exams:** The topics and chapters covered on each of the exams, along with a sample exam, will be posted in LATTE prior to the exam. (Exam dates are subject to change, at the discretion of the instructor.) The exams may include any material from class, the text and course supplements, and the homework. Since the two midterms will be given during the recitation period, please ensure you can make those dates. To help you track your progress over the semester, I will post a rough grade distribution for each midterm in LATTE.
Policies.

Classroom etiquette: Students are expected to refrain from behavior that is disruptive to their classmates. Please do not talk to your neighbors during lecture and silence all laptops, cell phones, and other electronic devices.

Attendance: Class attendance is expected and will be monitored over the semester. Recitation attendance is highly recommended.

Excused absences: If you experience an illness or family emergency that will keep you from attending class for a week or more, please contact your advisor in Academic Services. Your advisor will then inform me, along with your other instructors. At an appropriate time, we will determine what to do about the work you missed.

Time commitment: Success in this 4 credit hour course is based on the expectation that students will spend a minimum of 9 hours of study time per week in preparation for class (readings, papers, discussion sections, preparation for exams, etc.).

Information dissemination: Course information will be posted in LATTE. You are responsible for checking the LATTE course page frequently. You will also need to check for homework due dates. Any significant changes to our schedule will be announced via email.

Contacting me: In addition to my office hours, the best way to contact me is via email. I check my email regularly. On the other hand, I do not routinely check my office voicemail when I am away from campus so I cannot guarantee a timely response to voicemail messages.

Accommodations: If you are a student with a documented disability on record at Brandeis University and wish to have a reasonable accommodation made for you in this class, please see me right away. Please keep in mind that accommodations cannot be provided retroactively.

Academic integrity.

You are expected to be honest in all of your academic work. Please consult Brandeis University Rights and Responsibilities for all policies and procedures related to academic integrity. Allegations of alleged academic dishonesty will be forwarded to the Director of Academic Integrity. Sanctions for academic dishonesty can include failing grades and/or suspension from the university.

Homework: You can work on the homework with other students in Econ 28b. But what you turn in must represent your own work, not simply a copy of another student’s assignment.

Course materials from previous semesters: In order to protect your learning experience and that of your classmates, you may not consult course materials from previous semesters of The Global Economy without permission. I do not provide such materials to current students, but some of you may have access to them through other means.
COURSE OUTLINE

8/29: Course Introduction

I. The Theory of International Trade

8/30 & 9/5: The Supply and Demand Model ch. 2
9/6: Transportation Costs
9/12, 13 & 17: Comparative Advantage ch. 3 & pp. 49-61
9/20, 25 & 26: The Heckscher-Ohlin Model and Extensions pp. 61-63 & ch. 5
9/27, 10/3 & 4: New Trade Theory ch. 6
10/8 & 10: Trade and Economic Development ch. 7

10/9: Midterm I on the material covered to this point, in the recitation period

II. Trade Policy

10/11 & 15: Tariffs ch. 8
10/17 & 18: Nontariff Barriers to Trade ch. 9
10/22 & 24: Arguments For and Against Trade Protection ch. 10
10/25: Dumping pp. 222-233
10/29: Export Subsidies pp. 233-248
10/31: Trade Blocs pp. 252-267
11/1: Economic Sanctions pp. 267-272

III. International Factor Movements

11/5 & 7: Capital and Technology Flows pp. 334-354, 502-506
11/8 & 12: Migration pp. 354-365

11/13: Midterm II on the material since Midterm I, in the recitation period

IV. Understanding Foreign Exchange

11/14 & 15: The Balance of Payments ch. 16 & Appendix E
11/19 & 26: The Foreign Exchange Market ch. 17
11/28: Covered and Uncovered Interest Parity ch. 18
12/5: Government Policies toward the Forex Market ch. 20 & pp. 643-651
12/6 & 10: International Lending and Financial Crises ch. 21

TBD: Final exam on the material since Midterm II