



School of Economics  
Academic Year 2012-13  
Term 2

**ECONI03 International Economics A**

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**COURSE DESCRIPTION**

This course aims to equip business students with the basic knowledge and skill to analyze international economic issues. These broadly fall into two categories. The first, generally of a microeconomic nature, is *commodity trade*. Examples of questions that we examine include: Why do countries trade? Why some countries export cars, and others financial services? Does globalization lead to global warming? What is the World Trade Organization (WTO) all about? Why do WTO talks keep collapsing? And so on.

The second type of issues concerns with *monetary payments*. Does the Greek crisis spell the end of the Eurozone? Can the United States of America ever repay its mounting international debts? What future hold for international prices and asset inflation with the hugely increased U.S. money supply? What impact would that have on international exchange rates and the international monetary regimes?

**LEARNING OBJECTIVES**

We emphasize both analytical skills applications, through a series of participative class discussions. At the end of this course, students will achieve a good understanding of the world economic order, the effectiveness of policies to maintain global balance, and the origins of world financial crises.

**ASSESSMENT METHODS**

Class Participation <sup>1</sup>	: 10%
Project Report and presentation <sup>2</sup>	: 30% (15% goes to presentation)
Mid-term Test	: 10% (40 multiple choices in 60 minutes, open book)
Final Examination <sup>3</sup>	: 50% (two hour open book)
<b>Total</b>	<b>: 100%</b>

Notes

1. Participation: A good attendance record is necessary but not sufficient. Those who show no interest in the subject will receive very little of the 10%.

2. Project Report and presentation: You will form 10 groups of 4. Each group takes one of the discussion topics suggested below to research and present it in class. *Each presenter is given strictly no more than 10 minutes of class time.*

The report is written by each individual and not by the group. Each report should not have more than 1500 words, double spaced and 12 pt Times New Roman fonts. These are submitted one week

after presentation to SMU eLearn's "Dropbox," which checks each essay and creates a plagiarism match against a wide range of published sources. *You must keep the plagiarism match below 20%, or be penalized and the essay returned to you for resubmission.*

3. **Final Examination:** The final examination is compulsory. Those who do not turn up without valid reasons will be given a failure grade. Those with valid (e.g. medical) reasons will be given an "I" grade. No separate examination will be set for them.

### **ACADEMIC INTEGRITY**

All acts of academic dishonesty (including, but not limited to, plagiarism, cheating, fabrication, facilitation of acts of academic dishonesty by others, unauthorized possession of exam questions, or tampering with the academic work of other students) are serious offences.

All work (whether oral or written) submitted for purposes of assessment must be the student's own work. Penalties for violation of the policy range from zero marks for the component assessment to expulsion, depending on the nature of the offense.

When in doubt, students should consult the instructors of the course. Details on the SMU Code of Academic Integrity may be accessed at <http://www.smuscd.org/resources.html>.

### **CLASS TIMINGS**

Class sessions are of 3-hour duration per week. Each session will involve a lecture and a discussion of assignments and readings.

### **RECOMMENDED TEXT AND READINGS**

Robert J. Carbaugh, *International Economics*, South Western, Thomson Learning, 14<sup>th</sup> edition 2013.

Earlier editions are acceptable, although you must check for differences yourself.

Carbaugh is our preferred text since it is particularly suited for business school students. Students who prefer a more main-stream economics text can use this as a substitute:

Paul R. Krugman and Maurice Obstfeld, *International Economics*, Pearson Publishers, recent editions.

## WEEKLY LESSON PLAN

### Part A: International trade

Week	Lecture/discussion topics	Activities other than lecture/discussion		Car- baugh chap- ters
		Mid-term test	Class discussion topics	
1	- Introduction - Comparative Advantage	No tests before recess		1, 2, 3
2	Sources of comparative advantage			3
3	Tariffs		According to the theory of comparative advantages, does international trade always benefit the lower income group in a poor country? (Final exam Nov. 2009)	4
4	Non-tariff trade barriers		Are poor and developing countries more justified to protect their domestic industries than the developed and industrialized ones?	5
5	Trade policies for the developing nations		What is the WTO and its Doha Round supposed to achieve? Is multilateralism more suitable to some countries, and bilateralism more suitable to others?	6, 7
6	Regional trading agreements, factor movements and multinational enterprises		To what extent are pollutions and global warming results of international market failure? Did global trade and globalization cause or worsen such failures?	8, 9
7	The balance of payments		Many in Asia argue that the region should integrate faster and further. Does the history of regional economic integration support Asean integration?	10
8	RECESS			

Part B: International payments

Week	Lecture/discussion topics	Activities other than lecture/discussion		Car- baugh chap- ters
		Mid-term test	Class discussion topics	
9	<b>Mid-term test</b> (40 multiple choices in 60 minutes, 20%, covering topics up to and including wk 6), followed by presentation. There will be no lecture for this week.		The Chinese have been accused of manipulating the renminbi for many years. What are the costs and benefits of an appreciating currency for a country such as China?	11 & 12
10	Foreign exchange and exchange rate determination		The United States of America, like many developed nations, are heavily in debt. How is a country's external debt related to its balance of payments?	13 & 14
11	BOP adjustments and exchange rate adjustments		The USA responded to the subprime crisis by reflating the economy, but the Europeans responded to the euro crisis by deflating the economy. Why? Who is right?	15
12	Exchange rate systems and currency crisis		Describe and critically evaluate the "Impossible Trinity," and how it applies to China. (Modified from final exam question Nov. 2009)	16
13	Macroeconomic policies		Some have argued that the creation of the euro was a mistake, and that it will eventually crumble. Explain why you agree or disagree, using the economics that you have just learned. (Modified from final exam Nov. 2011)	17
14	Study break			
15	Final examination			

- END -

Lecture notes in Econ103. Department of Economics, University of the Philippines Los Baños. 4/6. Reflecting on their experience of using *The Economy* to teach undergraduate students in India, two teachers of economics discuss the need for a version of the alternative textbook that addresses the needs of students who seek to understand the Indian economy. The possibilities of such a version of the textbook are discussed.

ECON 453 International Economics (1). This course examines the workings of the international economy with an emphasis on current policy issues. Competing economic theories will be used to study the patterns of trade, the effects of trade restrictions and the impacts of trade on growth and distribution. Financial relations among nations and the functioning of the international monetary system will also be explored. Other topics include balance of payment adjustment, exchange rate adjustment, and open economy macroeconomics.

General Education Requirement Fulfillment: Social Sciences. ECON 103 Statistics for Economists. The course focuses on elementary probability and inferential statistical techniques. The course begins with a survey of basic descriptive statistics and data sources and then covers elementary probability theory, sampling, estimation, hypothesis testing, correlation, and regression.

International monetary economics with emphasis on economic policy in an open economy. Topics covered in the course include: balance-of-payments adjustment, theories of exchange rate determination, the effects of exchange rate devaluation, macroeconomic policy under fixed and floating exchange rates, the Euro-dollar market, currency and balance of payments crises.

Worksheets for Economics 103 (Beginner Microeconomics) students at SFU (Simon Fraser University) enrolled in the tutorials led by Teaching Assistant Justin Wiltshire - By Justin Wiltshire (2010).

UCL Business Economics I. Update: December 5, 2014 (that's 5 December for you backward Brits ;) I've been asked to outline an ideal answer for question 6 of the recent problem set: "If Jane's hourly wage rate increases she should work more." Comment on this statement. As you are told to 'comment on this statement', you should take this as a prompt to tell me everything (RELEVANT!) that you know, and to draw a graph (you need not always do either of these). You should have noted that an increase in the wage rate is an increase in the opportunity cost of leisure (in terms of

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