

The Global Economy - Econ 8B



FALL 2009 – BY PROF. ERBIL

(Subject to change at any time, at the discretion of the instructor)

Lectures: Tuesdays and Fridays (Section 1: 1:40-3:00pm, Section 2: 3:10-4:30pm)
We will use part of the lecture time to go over examples and exercises as needed.

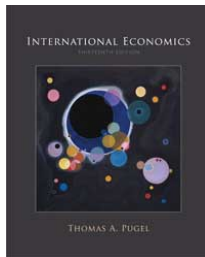
Recitations: Thursdays (6:40-8:30pm). Additional examples and discussion of the material will be offered during the recitation time. These sessions are not mandatory but are very highly recommended. Exams will be held during recitation time, unless otherwise announced.

Instructor: Prof. Can Erbil - cerbil@brandeis.edu – office at Sachar 215.

Teaching Assistant: Bruce Strong (bstrong@brandeis.edu) + TBA

Office Hours: Tuesdays and Fridays 12-1pm

Required Course Materials:



Text: Pugel, Thomas A., **International Economics**, 14th edition, 2008 (ISBN 9780073375755).

Additional Readings:

- *Chiquita Brands International* (Harvard Business School (HBS) Case Study)
- *Bombardier: Canada vs Brazil at the WTO* (HBS Case Study)
- *The 2001 Argentina Crisis: An IMF Sponsored Default* (HBS Case Study)

The textbook and case studies are available in the campus bookstore.

In addition to these readings, other handouts will be posted on the website or distributed in class.

You should also follow the international economics' news. Some good sources are The Economist (www.economist.com) and the Financial Times (www.ft.com).



Course Description and Objectives:

This course builds on Economics 2A (which is a prerequisite) and aims to deepen your understanding of real world economic issues, while providing you with a stronger analytical base.

We will focus on international trade theory and policy, and issues in international finance, including but not limited to the determinants of exchange rates and financial crises.

The course aims to emphasize applications and interdisciplinary connections over pure theory. Student participation will be required. Some real-life case studies will be used and you will be asked to present in class on a selected article related to recent developments in the global economy.

We will examine the causes and effects of the international flows of goods, services, labor and capital. We will also look at the effects of government policies toward those flows, and at the institutions that governments have established to regulate international trade and finance (e.g., the World Trade Organization, the International Monetary Fund, and the World Bank).

We will deal with both the microeconomic and macroeconomic effects of international transactions. In the microeconomic portion of this course, we will present a number of economic models of international trade in goods. We will use these models to predict the effects of free trade, as well as the effects of various 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 capital (multinational corporations).

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

Grading:

- **Class participation:** 15% (quality and quantity of contributions to class discussion, attendance and unannounced quizzes)
- **Problem sets:** 15%
- **Exam#1:** 20% - September 24th, 2009 - Thursday 6:40-8:30pm
- **Exam#2:** 25% - October 22nd, 2009 - Thursday 6:40-8:30pm
- **Exam#3:** 25% - November 19th, 2009, Thursday 6:40-8:30pm

(Note that these dates are subject to change at any time, at the discretion of the instructor)

The chapters covered on each exam will be announced in class in advance. In addition to the material in the textbook, the exams may include any topics covered in class and in the problem sets.

Please Note: I will not give any “**extra-credit**” assignments. The grades will be computed entirely from the scores obtained in the term paper, exams, quizzes, presentation, class participation and problem sets.

There will be no make-up exams in this class.

Class Meetings and Attendance:

This course will meet for 80 minutes lecture sessions for two days in each week. In addition, recitations will take place on Thursdays from 6:40 to 8:00 pm, location TBA. Attendance to classes is ***required***, and you are strongly advised to attend recitations regularly. I will collect attendance during the lecture and use it to determine your final grade from this course. All exams will be during recitation time, unless otherwise announced.

Please note that ***no laptops and/or other handheld devices will be allowed during the lectures.*** Students with disabilities need to provide a special permission request from their deans.

Academic Integrity and Disability Accommodation:

You are expected to be familiar with and to follow the University's policies on academic integrity (see <http://www.brandeis.edu/studentlife/sdje/ai/>). Instances of alleged dishonesty will be forwarded to the Office of Campus Life for possible referral to the Student Judicial System. Potential sanctions include failure in the course and suspension from the University. If you are a student with a documented disability record at Brandeis University, and wish to have a reasonable accommodation made for you in this class, please contact me immediately. Please keep in mind that such accommodations cannot be made retroactively.

Rules for Problem Sets:

You can work in teams on the problem sets. However, you need to put your answers **in your own words**. If you worked in a team on a problem set, please indicate other members of the team on your submission. Please submit your answers in turnitin.com as electronic submission.

Correspondence:

I encourage you to meet with your TAs and ask them questions. Your TAs are primarily in charge of the problem sets, quizzes and the review sessions. Hence, all problem set and quiz related questions first go to the TAs. The best way to reach me is via e-mail (cerbil@brandeis.edu). Note that I don't check the messages on my office phone on a regularly basis (hence, don't leave me a voice message).

Information Dissemination:

In Econ 8B, we will share information on LATTE. You will be responsible for checking the website frequently as most of the problem sets, answer keys, etc will be posted on the internet and available for you to download.

Additional Support Sources:

There is free of charge academic support service for our course at Brandeis. Check out: <http://www.brandeis.edu/ses/index.html>

Optimizing Your Performance:

Here are some suggestions that may help you to do well in Econ 8B:

- 1) ***Attend the lecture.*** The purpose of the course is to teach you something, not to toss out information and see how much sinks in.
- 2) Do the ***assigned readings*** before class to get a preview of the material to be covered and to prepare any questions you have about this material. Study the material, don't just read it. Check our ***course website*** regularly. I will update it weekly to indicate our progress on the outline.
- 3) Take the ***problem sets*** seriously, because they are the best indication of whether you understand the material and they are the best preparation for the exams.
- 4) When preparing for exams, let the ***lectures*** guide you as to what is really important.
- 5) And by all means, seek help from the ***TAs*** and the instructor if you need it, and before you get hopelessly behind.

The Excused Absence Policy:

If there is an emergency and/or a loss in your family, or if you experience health problems, you will need to **communicate with your class dean** (this means don't e-mail the instructor or the TAs), who is going to send me (and all of your other professors) a **written letter** explaining the circumstances. You will be then excused from the attendance and problem set duties for the time of the emergency. This is a standard university procedure for your convenience. Don't be shy to get in touch with your dean and he/she will take care of the rest for you, so you don't have to worry about school during an emergency.

Any unexcused absence will have a negative impact on your grade in this class.

Tentative Course Outline

(Subject to change, at the discretion of the instructor)

- Class introduction and rules
- Why trade? Pugel, Chapter 1
- The basic theory using demand and supply. Chapter 2
- Why everybody trades: Comparative advantage. Chapter 3
- Why everybody trades: Factor proportions. Chapter 4
- Winners and losers from trade. Chapter 5
- Alternative Theories of Trade. Chapter 6
- Growth and Trade. Chapter 7
- Trade policy: Analysis of a tariff. Chapter 8
- Trade policy: Nontariff barriers to imports. Chapter 9, Chiquita Brands Case
- Arguments for and against protection. Chapter 10
- Pushing Exports. Chapter 11
- Trade Blocs and Trade Blocks. Chapter 12, Bombardier Case
- Trade and environment. Chapter 13
- Trade policies for developing and transitional economies. Chapter 14
- Payments among nations. Chapter 16
- The foreign exchange market. Chapter 17
- International lending and financial crises. Chapter 21, Argentina Case
- Conclusion



"Can Billy come out and compete in the global economy?"