

ECON 420: International Economics

University of Illinois at Urbana-Champaign
College of Liberal Arts & Sciences
Department of Economics

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317 David Kinley Hall

Spring 2018
Tuesdays/ Thursdays, 12:30pm-1:50pm

Communication:

Office: 12 David Kinley Hall

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Office Hours: Tuesdays/Fridays, 2:00pm-3:30pm.
Or by appointment

Catalog Description:

Introduction to the theory of international trade and finance with selected application to current problems of trade policy, balance of payments adjustment, the international monetary system, and globalization issues. (3 Hours) Prerequisite: ECON 102 or equivalent; ECON 302/303 is recommended.

Course Description:

This course is an introduction to international economics and finance targeted toward economics majors at a 400 level. Its main topic, therefore, concerns economic interactions between agents (consumers, firms and governments) of different countries. It is divided into two roughly equal parts: international trade and international finance.

The first part, international trade, focuses on the microeconomics of international economics. It begins with a simple model of trade in a context of partial equilibrium to address trade policy issues. Then, it covers the main historical theories regarding international trade, based on productivity and resource differences, as well as more recent contributions, based on economies of scale and firm differences. Finally, it discusses political considerations regarding international trade. This part tries to answer questions such as "Is trade beneficial?", "What drives trade patterns?", "Who gains and who loses with international trade?", "What keeps trade from expanding?".

The second part, international finance, focuses on the macroeconomics of international economics. It starts covering basic definitions of national accounts for open economies and the balance of payments. Then, it develops a study of exchange rates and they are affected by monetary supply decisions. After that, macroeconomic policy for open economies is covered and used as a tool to understand exchange rate regimes and other international finance issues. This part tries to answer questions such as "How to measure variables for open economics?", "What determines exchange rates?", "How economic policy is different in international contexts?", "What are the consequences of different exchange rate regimes?".

Course Format:

The course will be comprised of biweekly lectures.

Course Objectives:

- Introduce students to the field of international economics and finance.
- Connect the theories of international economics to current issues.
- Show students how economic theory can be applied to understand practical issues.

Learning Resources:

Recommended:

- Krugman, Obstfeld, Melitz. 2017. *International Economics: Theory and Policy*. 11th Edition (Apparently, Pearson provides the 11th edition only as a rental program. The 10th edition is accepted and it is available to be purchased at the university bookstore. Earlier editions to the 10th are acceptable, but keep in mind we will discuss some issues using data from 2008 and on. The online platform, MyEconLab™ Economics, will not be used).
- Lane, Philip R.. 2012. "The European Sovereign Debt Crisis." *Journal of Economic Perspectives*, 26(3): 49-68. (<https://www.aeaweb.org/articles?id=10.1257/jep.26.3.49>)

Additional:

- Eichengreen, Barry. 2008. *Globalizing Capital: A History of the International Monetary System*. 2nd Edition, Princeton University Press.
- Helpman, Elhanan. 2011. *Understanding Global Trade*. 1st Edition, The Belknap Press of Harvard University Press.

Student Assessment:

Scoring

- Homework - 15% of Total Points
- Paper Assignment - 10% of Total Points
- Exam 1 - 15% of Total Points
- Exam 2 - 15% of Total Points
- Exam 3 - 15% of Total Points
- Final Exam - 30% of Total Points

Your grade will be calculated as a percentage of these points. The final grade for the class will be scored out of 100 points. To calculate your grade before all exams and assignments are finalized, divide the total points you have scored in the course so far by the total amount of potential points. Multiply that number by 100 and round to the nearest integer then compare that number to the Plus/Minus Grade Cutoffs below. A+ will be given to the best student(s), conditional on receiving an A.

Plus/Minus Grade Cutoffs

	90 > B+ ≥ 85	75 > C+ ≥ 70	60 > D+ ≥ 55	45 > F
100 > A ≥ 95	85 > B ≥ 80	70 > C ≥ 65	55 > D ≥ 50	
95 > A- ≥ 90	80 > B- ≥ 75	65 > C- ≥ 60	50 > D- ≥ 45	

Assessment Policies

Homework Assignment Policy:

Homework is to be completed and submitted online through the course portal at Moodle (<https://learn.illinois.edu>). There will be around 10 homework sets. All information is available online. Late assignments receive no credit. The homework portion of your grade will be the average of all your assignment scores with the lowest assignment grade dropped.

Paper Assignment Policy:

There will be one paper assignments. For this assignment students must read, summarize and discuss one text related to content seen in class, producing a 4 to 6 page report. Paper assignments are to be turned in at the beginning of the class of (TBA). Late assignments receive no credit. Assignments can be turned in early at my office. Detailed instructions will be given later.

Exam Policy:

In the event that a student misses one of the first three exams, the points from the missed exam will be placed on the final. The student must provide a reasonable motive for missing one of the three first exams. There are no make-up exams. The final will then comprise 45% rather than 30% of total points. In the event that a student misses a second in-term exam, the instructor reserves the right to give the student a zero on that exam.

The following materials are allowed for use during the exam: accounting calculator or four-function calculator. There are to be no books, papers other than the exam itself, cell-phones or other items that connect to the Internet. Students found to be using unapproved items are in violation of the Academic Integrity policy of the University and will be subject to disciplinary action.