Economics 4820: Spring 2014

Dr. Jonathan E. Leightner

Office: Allgood Hall # E-139

Professor’s Office Hours: Monday and Wednesday: 8:30 am – 9:55 am and 6:45pm – 9 pm.

Tuesday: 8:30am – 11:30am. Appointments at other times are also possible.

Drop-ins are welcome; however, students with appointments have priority.

Office Hours for Economics Tutor – Joshua Rhodes to be held in the CAP Center:

Monday: 9am – 11am; Wednesday: 9am – noon, 2:30 pm – 4pm; Thursday: 11am – noon; Friday: 9 am – 11:30 am.

Goals:

1. Students should gain an understanding of the basic, current, western international economic/finance models. They should be able to explain and use these models. In order to use the models, students will need to be able to replicate key graphs and discuss what causes different lines to shift and the resulting consequences.

2. Students should understand that these economic models are tools with uses and limitations. Furthermore, they should be able to evaluate the usefulness of these tools for analyzing different "real world" situations and be able to apply the models when appropriate.

Text:

Appleyard, Dennis R. and Alfred J. Field, Jr. *International Economics,* 8th edition (New York: McGraw-Hill Irwin, 2014).

All students are encouraged to have a subscription to the Wall Street Journal (but this is not required. If you sign up for the Wall Street Journal through [http://www.wsj.com/ studentoffer](http://www.wsj.com/%20studentoffer) then you will get a discount of 75% off of the newsstand price. Specifically you can order 15 weeks of the Journal for $ 15 or a whole year of the Journal for $ 99.95. Please be sure to put my name as the referring professor (Jonathan Leightner).

Attendance:

It is essential that students come to every class because most of the material in this class will build on previous lectures. The textbook and my lectures will be compliments, not substitutes. There will be issues in the text that I will not cover in my lecture and there will be issues in my lectures that are not in the text. Where appropriate, I will make comments on and provide deeper analysis of certain issues in the textbooks.

Pre-requisites:

An undergraduate understanding of micro and macro economics is a pre-requisite for this course.

Tests:

All tests will require the reproduction and application of key graphs and explanations.

Projects:

All course projects must be turned in by 2:30pm (sharp) on April 28th, 2014. Projects will be penalized 1 point for every hour that they are late. No late projects will be accepted after 2:30pm on April 30th.

**Option 1**: In a qualitative fashion, apply all the models taught in this class to the student’s current or planned future employer/occupation. This option requires the graphical depiction of what has happened in this industry in the recent past, what is currently happening, and what is likely to happen in the near future. If you take this option, I highly suggest you discuss your project with me before you write the final draft.

**Option 2:** Obtain sufficient data (at least 100 observations) on some international issue and use the data to estimate an economic relationship that sheds important light on the issue. Students wishing to take this option need to obtain the data and show it to me before midterm (March 3, 2014). The project must be written up as a formal report. This report should include a discussion of the meaning and significance of estimated coefficients, R2, F-statistic, t-statistics, and Durbin-Watson statistics. Students taking this option are encouraged to use traditional regression approaches and a new approach I have developed that solves the omitted variables problem. If the paper is good enough and makes an important contribution to the literature (which is possible given my technique) then this option might lead to a publication.

**Option 3:** The student should pick one world leader. Explain the international and domestic situation facing that leader and his or her country using all the models taught in this course to illustrate your points. Finally the student should recommend how that leader should respond to their situation. Again the models taught in this course should be used to analyze the effects of the recommended course of action.

**Option 4:** Students taking this option will turn in between 30 to 40 articles from the Wall Street Journal dated between January 1, 2014 and April 28, 2014. Each article should be referenced with the date, page, column number and author (when available). Each article should be accompanied by at least one international economic graph that depicts the main point(s) of the article and two or three sentences connecting the graph(s) to the article. Key sentences of the article should be highlighted or circled. The grade on this project will depend upon (1) the number of articles and graphs submitted, (2) the level of difficulty of the analysis (IS/LM/BP applications are worth more than simple supply and demand applications), (3) the variety of models used (you need at least one applications for each model/issue discussed in class), and the correctness of the analysis.

Grade:

Test 1 = 30%

Test 2 = 30%

Project = 30%

Class Participation = 10%

Absences on Exam Days:

All students are expected to take their tests on the days scheduled for the tests. If a student knows that they can not take a test on the scheduled day, then they need to produce proof (which the professor deems sufficient) as early as possible and arrange to take the test **before** the scheduled test date. If a student does not take the test by the scheduled test day then (at the professor’s discretion) one of the following will be implemented: (1) the student will receive a zero for the test or (2) the student will have to take a make-up test that is harder than the original test. For possibility 2, the student will have to provide proof that (1) the missing of the test was unavoidable and (2) the taking of the test early was not possible. This proof must satisfy the professor (for illnesses, a copy of a doctor’s bill **and** excuse will be required).

Class Room Courtesy:

In order to meet the goals of the course outlined above, students are encouraged to ask questions, think critically about what they are being taught, and express their own analysis of issues related to the course material. Students are expected to listen to and consider the views expressed by other students. However, there is a certain amount of material which must be covered in this course. Therefore, the professor has the right and obligation to encourage discussions when appropriate, to postpone discussions until later in the course when later course material would shed significant light on the discussion, and/or to end discussions when appropriate. Students should not interrupt each other. Students should shut off all beepers and cell phones before entering class. The professor will consider granting exceptions to this rule if a student can provide an adequate justification in advance. In general, students are asked to refrain from any activity which interferes with the goals of this course. Cheating will not be tolerated and will be prosecuted to the fullest extent of the rules and regulations of Augusta State University.

Recording Lectures:

Some students benefit from tape recording my lectures. By tape recording the lectures, these students can concentrate more on understanding what I am saying and on copying graphs correctly. However, students also learn by writing out the notes. Therefore, I encourage the recording of my lectures under the one condition that students keep the recordings a maximum of one week.

Tentative Schedule

Subject Pre‑class Readings Date

1. Early Trade Theories …………………….……….. Ch. 2 ……...……………… 1/6
2. Ricardian Theory of Comparative Advantage…… Ch. 3 …………..………….. 1/8
3. Neoclassical Trade Theory
   1. Tools …………………………………….. Ch. 5 …..…………… .. 1/13 - 1/15

Holiday ………………………………………………………………… 1/20

* 1. Gains from Trade ………………………… Ch. 6 ……………………. 1/22
  2. Offer Curves and Terms of Trade ………… Ch. 7 ……………………. 1/27
  3. Factor Endowments: Heckscher-Ohline ….. Ch. 8 ……………………. 1/29

1. Post Heckscher-Ohlin Theories …………………… Ch. 10 …………………… 2/3
2. Trade Policy Tools
   1. Instruments ………………………………. Ch. 13 …………………….. 2/5
   2. Impact of Trade Policies …………………. Ch. 14 …………………. 2/10-2/12
   3. Arguments for Trade Policies ……………. Ch. 15 …………………….. 2/17

Questions and Answers; Miscellaneous Issues ..………..………………. 2/19

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1. The Fundamentals of International Finance
   1. Balance of Payments Accounts …...……… Ch. 19 …...….…………… 2/26
   2. The Foreign Exchange Market ………….... Ch 20 …………………. 3/3 – 3/5
   3. International Financial Instruments ………. Ch. 21 …………………… 3/10
   4. Monetary and Portfolio Balance Approaches Ch. 22 ………………….. 3/12
   5. Price Adjustments and Disequilibrium …… Ch. 23 …………………… 3/17
   6. National Income and Trade (Keynesian) ….. Ch. 24 ………………. 3/19 - 3/24
2. MacroEconomic Policy in an Open Economy
   1. The IS/LM/BP Model and Fixed Exchange Rates…….. Ch.25 …..…3/26 – 3/31
   2. The IS/LM/BP Model with Flexible Exchange Rates … Ch. 26 ….... 4/2

Spring Break ………………………………………………… 4/7- 4/11

* 1. The Large Country IS/LM/BP Model ………………………………. 4/14 – 4/16

1. History of International Monetary Systems ….Ch. 29 ……………… 4/21 – 4/28

**Final Exam ………………………………… (1-3pm) ……………………. 5/6**