

International Economics
Spring Term, 2010-11
Krebs 240, TueTh 9:30-10:50
Web: www.pitt.edu/~upjecon

Dr. Tom McGahagan
Krebs 123
Office: MWF, 9-10 AM, TTH 1-2 PM
E-mail: mgahagan@pitt.edu

Syllabus

Prerequisites: An introductory course in microeconomics (Economics 0105) is prerequisite. It will help in the second half of the course if you have taken introductory macroeconomics. It is assumed that students have mastered basic algebra; take a glance at chapter 2, problem 11 and chapter 5, problem 7 to get an idea of the level of mastery expected.

Text: Thomas A. Pugel, *International Economics*, Thirteenth Edition. McGraw-Hill, 2007.

Course description: The course will cover international trade theory and policy (before the spring break) and international financial markets and macroeconomic aspects of the international economy (after the spring break).

Major topics include:

1. The sources of comparative advantage in international trade.
2. The welfare effects of international trade: who wins and who loses.
3. The impact of commercial policy (tariffs, quotas and other trade measures).
4. Regional trading arrangements such as NAFTA and the European Union.
5. Trade and economic development.

6. International institutions such as the WTO, the IMF and the World Bank.
7. The balance of payments and the causes and effects of trade imbalances.
8. The foreign exchange markets.
9. International lending and debt problems.
10. International macroeconomics and the impact of fiscal and monetary policy.

Grading and exams.

There will be two midterm exams and a final. There will also be two 5-7 page papers on topics to be assigned. Each exam and each paper will be worth 100 points, so there will be a total of 500 points which will determine your grade. Each exam will be curved; see my web page for details of my curving procedure. Note that, since I curve generously, I consider a curved score of 65 as the passing line.

The first midterm exam will cover trade theory (chapters 2 - 7 of Pugel). The second midterm exam will cover trade policy (chapters 8-15 of Pugel). Dates will be announced. The final exam will be held on Monday, 20 April at 9 AM, and will cover the international finance and macroeconomics topics covered (chapters 16-25 of Pugel, with possible omissions).

I do not permit generally permit calculators or other electronic aids on examinations or quizzes. Any violation of academic honesty (plagiarism, use of unauthorized materials or cheating on exams) will result at a minimum in a grade of zero on the assignment or exam. I reserve the right to decide when any such violation has been serious enough to result in a failing grade for the class or to warrant referral to college authorities for further action.

The first paper will be on a trade policy topic and will be due at the last class before the spring break; the second will be on an international finance topic and will be due at the last class of the semester; physical (not e-mail) submission of the papers is required and no late papers will be accepted. See my web pages for further detail on the papers.

Please note that changes to the exam schedule and to specific exam coverage are possible at the instructor's discretion.

Attendance:

Since I will often be presenting material not covered in quite the same way or in quite as much detail as the text, you will not find it possible to master the material without attending class regularly. I will take roll, and will penalize you 5 percent of your final grade for each unexcused absence in excess of 4. The only excuse acceptable is for a personal medical or family emergency, verified in writing by the Academic Affairs office (Ms. Gladys Andrews, 133 Biddle Hall).

Absences for job interviews or work-related absences will not be excused. If your schedule does not permit you to attend all classes, you should not take this class.

E-mail:

If you e-mail me, please use your Pitt account, include a subject line and sign the e-mail. E-mails from other than Pitt accounts and without a subject line will be treated as spam and deleted without being read.

Students with disabilities:

If you have a disability which requires special arrangements for classes or exams, you must notify the Office of Disability Services (Owen Library), and they must certify the need for special arrangements to me before I can provide such arrangements. Since our first quiz will come this month, you should make those arrangements immediately.

Study hints:

See my web page for extended study hints on how to take notes and integrate text and lecture.

Unless you keep up with the work on a daily basis, you are not likely to do well in this course. International economics is a demanding subject, and simply cannot be mastered without working very hard to wrap your mind around the concepts. Take notes, and revise them within a day -- it is easy otherwise to have a notebook full of the numbers or graphs that went into an illustrative problem without any understanding of the concepts that the problem was meant to illustrate.

Most of all, do the problems at the end of the chapter regularly. Similiar problems are guaranteed to appear on quizzes and exams. Note especially that the problems are really meant to illustrate concepts. Make sure you can explain the connection between the numbers and the basic concepts. Make sure you can work the problems with other numbers than given in the text. I will supply extended answers to the chapter questions and provide supplementary exercises on the web.

Graphs in international economics are often complicated. They are also vital to the understanding of the subject. They are not meant as abstract art exercises -- make sure you know why every line goes where it does, and how changes would impact the graph. You should expect to be required to draw one or more graphs on every exam and to explain them carefully.