

The Global Economy (ECO370), Spring 2016

Prerequisite courses include Principles of Microeconomics (ECO201) and Macroeconomics (ECO202). Students who have already taken International Trade (ECO471) or International Finance (ECO472) may not take ECO370. ECO370 may not be taken concurrently with ECO471 or ECO472.

Instructor: Mihai Paraschiv

Email: mihaiparaschiv85@uky.edu

Time/Location: MW 3:30PM-4:45PM/Gatton College of Business and Economics, Room 291

Office: Gatton College of Business and Economics, Room 245M

Office Hours: MW, 2:15PM - 3:15PM or by appointment

Course Website: Blackboard Section of ECO370-001

Course Objectives

This course is presented in two sections. The first part of the course explores the theoretical foundations of **International Trade**. This section covers the basics of why countries trade, what explains the pattern of trade that we observe and what are the effects of trade on welfare and the distribution of income. In addition, this section covers issues concerning the positive and normative effects of trade policies, and the structure and economics of trade agreements. Special attention will be paid to investigating current policy issues such as the relationship between trade and the environment, trade and development, economic integration and trade, and the structure of international institutions such as the WTO.

The second part of the course will be devoted to topics in **International Finance**. This section starts with explaining how international financial markets are structured and how currencies across countries relate to each other in foreign exchange markets. From this foundation, the course considers how government policies might help address objectives such as low inflation and full employment in a world with trade, as well as how policies might influence other countries through foreign exchange markets. Special attention will be paid to current issues such as the choice of exchange rate regime (e.g. fixed vs. floating exchange rate regimes), economic and monetary unions (e.g. the Eurozone), and role of international organizations (e.g. the International Monetary Fund).

Textbook and Course Materials

The textbook for this course is International Economics (any of the last 4 editions) by Thomas Pugel (latest edition is the 16th).

Course Outline (Note: Dates given are tentative and can be changed!)

- Jan 13-Feb 8 International Trade Theory (Chapters 2-6)
- Feb 10 Exam 1
- Feb 15-Mar 2 International Trade Theory (Chapters 8-12)
- Mar 7 Exam 2
- Mar 9-Apr 4 Foreign Exchange Rates (Chapters 16-19)

- Apr 6 Exam 3
- Apr 11-Apr 27 Open Macroeconomics (Chapters 20-25)
- TBA Exam 4

Specifically, in **chapters 2-6** we will cover the basics of international trade in a supply-demand framework, comparative advantage, pattern of trade, gains from trade, the Heckscher-Ohlin model, and the new trade theory. **Chapters 8-12** will cover trade policy analysis under perfect competition, non-tariff barriers, and the history of trade policy, export subsidies, the costs and benefits of protection, and the impact of the World Trade Organization (WTO). In the second part, **chapters 16-19** will introduce the balance of payments concept, foreign exchange markets, covered/uncovered interest rate parity, purchasing power parity, and exchange rate policies. Finally, **chapters 20-25** will cover fixed and floating exchange rate regimes, the international monetary system, as well as optimum currency areas.

Evaluation Criteria

Your final grade for the course is based on the following distribution: A: 90%-100%, B: 80%-89%, C: 70%-79%, D: 60%-69%, E: 59% and below. Grading for this course will be based upon problem sets, three midterm evaluations, and a final exam.

Task	% of Course Grade
Problem Sets	100 points (20%)
Exam I	100 points (20%)
Exam II	100 points (20%)
Exam III	100 points (20%)
Exam IV	100 points (20%)
Total	500 points (100%)

Calculating the Final Grade

Consider for instance a student who completed all problem sets and received a total of 92 out of the 100 points possible. The student also does a good job and scores 90 points on the first exam, 87 on the second, 89 on the third, and 94 on the final. In this case, the final grade will thus be given by the following formula: $[(92 + 90 + 87 + 89 + 94)/500]*100$. The final grade will be $(452/500)*100 = 90.4\%$ which according to the syllabus is an A.

Homework

There will be approximately 10 homework assignments. I collect these at the beginning of class, so if you are unable to attend just email me your homework **before** the beginning of class. **Late homework will not be accepted.**

Exams

There will be three midterm exams and a final exam. Exam questions will reflect information and ideas presented in class lectures, textbook, and problem sets. Also, there may be questions that require you to apply theory to problems that were not specifically discussed in class. Nonetheless, attending classes, completing the reading requirements, and working out the assigned problem-sets

should train you well for the exams. The exam dates are shown in the above schedule. If you need to reschedule the final exam because of a conflict, university regulations require that you submit your request in writing to me two weeks before the date of the final exam. Anyone feeling that a dispute exists in terms of grading an exam may submit a written grievance. **The grievance should identify the item in dispute and provide arguments supporting the student's position.** Grievances must be submitted no later than two class periods following the return of the exam. **Note: the exam needs to be attached to the grievance and is subject to full recheck.**

Makeup Exams

Makeup exams are given only for excused absences or if the student has obtained the instructor's prior approval. If you miss an exam with an unexcused absence you will receive a zero for that exam. The University defines the following as excused absences: illness of the student or serious illness of a member of the student's immediate family, death of a member of the student's immediate family, University sponsored trips, or major religious holidays. In each foreseen case, written verification will be required at least one week before the scheduled exam and permission to miss an exam must be secured before the scheduled exam time unless the cause of the absence is unforeseen. **IF YOU MISS AN EXAM FOR AN UNFORESEEN REASON YOU SHOULD CONTACT ME AS SOON AS YOU CAN.** The makeup exam will be held at one time during the week following the regularly scheduled exam time.

Policy on Academic Accommodations Due to Disability

If you have a documented disability that requires academic accommodations, please see me as soon as possible during scheduled office hours. In order to receive accommodations in this course, you must provide me with a Letter of Accommodation from the Disability Resource Center (Suite 407, Multidisciplinary Science Building at the corner of Rose Street and Huguelet Drive, 257-2754, email address susan.fogg@uky.edu) for coordination of campus disability services available to students with disabilities

Cheating

Cheating is in no way tolerated at the University of Kentucky. Anyone caught cheating will be penalized severely. The full penalty will be determined in consultation with the Chairman of the Department of Economics. The minimum penalty is an "E" for the course. I require two stipulations to reduce the potential for cheating. You may not wear a hat with any sort of bill in front during exams and you may not use a calculator during exams unless notified otherwise. Additionally, if you are found to have a cell phone out during an exam you will automatically receive a zero for that exam.

Course Expectations

- **Being Prepared:** Students are expected to read assigned material prior to class and participate in class discussion and activities. Do not be afraid to participate because of the size of the class and if you have a question, never let it go unanswered. If you do not get an opportunity to ask your question during class, stop by

my office or feel free to contact me via email. Being prepared also means going through the notes from previous classes period before coming to the next. If you look at the new material at least once within forty-eight hours of first seeing it, you will be able to learn the material more thoroughly and **studying for the exam will be much easier.**

- **Being in Class:** I will not take attendance. However, **consistent attendance is encouraged and essential for acceptable performance in the course.** Many students find economic concepts difficult to grasp. Missing class will only make the process of absorbing this material more difficult. In class, I will also present material which is aimed at complementing the readings, not substitute these. If you find yourself falling behind or you are having problems with the material, I encourage you to come to me for assistance. This does not mean that I am going to re-teach the material in my office. My posted office hours list the times that you are guaranteed to find me in my office. However, if you have a conflict, you may arrange a meeting time outside of office hours.

- **Being Courteous:**

- If you do plan to attend class, be on time and please do not leave until class is dismissed. If you have a long walk to get to this class from another, let me know in advance. If nature calls so loudly that you must answer, please leave and return to the classroom as quietly as possible.
- Please avoid carrying on private conversations during class. This behavior shows disrespect for your classmates who would like to hear the lecture and it can have a negative impact on the learning experience of the entire class.
- Please turn off any cell phones, tablets, etc. It is also distracting if you text message during class.
- You may use laptops only for purposes of note-taking.

Blackboard

All course materials (announcements, handouts, practice problems, answer keys, etc.) will be posted on Blackboard. You are responsible and it is essential to check this resource regularly for updates. If you miss class, this is the first place to go to determine what you have missed and what you need to do to get "caught up".