

ECON 123: INTERNATIONAL ECONOMICS
FALL 2009, POMONA COLLEGE
[HTTP://WWW.ECONOMICS.POMONA.EDU/SLAVOV/ECON123](http://www.economics.pomona.edu/slavov/econ123)



Instructor: Slavi T. Slavov
Office: Carnegie 207
Phone: 909-607-8843
E-mail: slavi@pomona.edu
Office hours: Tuesday 2-3 pm, Wednesday 3-4 pm, Thursday 3-4 pm

Prerequisites:

Macro and micro principles (Econ 51 and 52)

What is this course about?

Econ 123 surveys the fundamental issues and insights of international economics. The course will be divided in two halves. The first half (corresponding to Part 3 of your textbook) will cover the theory of international finance, sometimes also called “open-economy macroeconomics.” We will analyze external imbalances. We will adopt the asset markets approach to exchange rate determination. We will explore the linkages among exchange rates, interest rates, price levels, output, and employment. We will compare the effects of government policies under fixed and flexible exchange rates. We will discuss international policy coordination and the workings of the international financial system.

The second half of Econ 123 (corresponding to Part 1 of your textbook) will study the analytics of international trade. Our models will analyze issues such as the gains from trade, the pattern of trade, its income distribution effects, and protectionism.

Lectures:

We will meet Mondays and Wednesdays at 11:00 am in Hahn 107.

Textbook:

Krugman, Paul, and Maurice Obstfeld. International Economics: Theory and Policy. 8th edition. Addison-Wesley, 2009. (*The 5th, 6th, or 7th edition will do just fine as well.*)

| | | |
|------------------------|---|-----|
| <u>Grading:</u> | Short writing assignments (best 10 out of 13) | 15% |
| | Homeworks (best 4 out of 6) | 15% |
| | Midterm | 25% |
| | Final | 45% |

So far, so good, but always make sure you read the small print:

The short writing assignments will be based on additional readings which I will distribute throughout the semester. Each Monday you will have an assignment due in class. The format for these short writing assignments is quite flexible. Think of them as your reading notes. You may discuss the central points of the readings, their most illuminating insights, any disagreements you may have with the authors, anything that puzzles you. Each assignment should be typed and about 1-2 pages long. Assignments are due in class. I will not accept them before or after class, or over e-mail. Please read the underlined passage again.

The due dates for the homeworks are as follows: September 24, October 8, October 22, November 19, December 3, December 9 (all Thursdays except for December 9). Homeworks will be due by noon that day in a box right outside my office (Carnegie 207). Homework 6 will be due by 5:00 pm on Wednesday, December 9. Late homework will not be accepted. It is your responsibility to plan accordingly and submit your homework on or before the due date and time.

Use your freebies wisely. Save them for illness, travel, crunch in other classes, religious observances, or any other unanticipated emergency.

The midterm will take place on October 28 (Wednesday), during regular class time. There will be no alternate midterm dates. The final exam will be on Monday, December 14, at 9:00 am. The final exam will be cumulative. Both exams will be closed-book, closed-notes.

I will drop your midterm score if you do better on the final exam. Under this scenario, the final will count for 70 percent of your course grade. You are allowed to skip the midterm. If you do, its weight will be transferred to the final, which will then count for 70 percent of your grade. I strongly recommend against taking this strategy – it is risky and courts academic disaster. I urge you to take the midterm – it will never hurt your grade and can only help.

Take a careful look at all dates listed above. Please enroll in this class only if you can reconcile them with your travel plans and other commitments.

Finally, if you have a documented disability and wish to discuss academic accommodations, please contact me as soon as possible. To request academic accommodations due to a disability, please contact Dean Marcelle Holmes if you are a Pomona student. She can be contacted via e-mail at mdc04747@pomona.edu or at 909-607-2147. If you attend another one of the Claremont Colleges, please contact your home college's disability officer: Rochelle Brown (Pitzer), Jill Hawthorne (Scripps), Maggie Browning (Harvey Mudd), or Julia Strong (CMC).

Communication:

The course has a web page where I will post homeworks and solutions, short readings, a calendar for the semester, links, and other materials. The address is:

<http://www.economics.pomona.edu/Slavov/econ123/>

Course outline:

Chapter 1: Introduction

Chapter 12: National income accounting and the balance of payments

Chapter 13: Exchange rates and the foreign exchange market: an asset approach

Chapter 14: Money, interest rates, and exchange rates

Chapter 15: Price levels and the exchange rate in the long run

Chapter 16: Output and the exchange rate in the short run

Chapter 17: Fixed exchange rates and foreign exchange intervention

Chapter 2: World trade: an overview

Chapter 3: Labor productivity and comparative advantage: the Ricardian model

Chapter 4: Resources, comparative advantage, and income distribution

Chapter 5: The standard trade model

Chapter 6: Economies of scale, imperfect competition, and international trade

Chapter 8: The instruments of trade policy