COURSE CODE & COURSE TITLE: Econ 203  International Economics
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Course description
The course is structured into two parts: international trade and international finance. The first part of the course introduces the theory and policy of international trade. The issues involved include the bases for trade, the determinants of trade pattern (direction, terms, and volume), the effects of trade on income redistribution, as well as the various types of frequently-used trade policies, and their welfare consequences. The second part of the course introduces the theory and policy of international finance. The topics discussed include the balance of payment, the international monetary systems, the stabilisation policies of governments to adjust internal and external imbalances, and their effectiveness under alternative exchange rate regimes and different degrees of international financial market integration.

Learning Objectives
This course aims to equip students with the basic knowledge and skill to analyze international economic issues. Such issues fall broadly into two categories. The first category, generally of a microeconomic nature, is concerned with international trade in goods and services. The issues we will examine include: the rationale for international trade, the determinants of trade patterns, trade policies, and political economy forces that drive the formation of trade policies. We will also compare the multilateral approach to trade liberalization via the World Trade Organization against preferential approaches such as free trade agreements.

The second category of issues, generally of a macroeconomic nature, is concerned with monetary payments for international trade in goods/services and financial assets. We will discuss the balance of payments, foreign exchange markets, and open-economy macroeconomic policies to maintain internal and external balance. We will also examine international monetary systems and the choice of exchange rate regimes.

Prerequisites
Intermediate Microeconomics AND Intermediate Macroeconomics;
Mutually Exclusive: EITHER Intl Economics A/B OR (Intl Trade AND/OR Intl Macroeconomics)

Assessment & Evaluation
Class participation  20% (see Appendix A)
Term project 20% (see Appendix B)
Mid-term examination 25%
Final examination 35%
Total 100%

Class Timings
Class sessions are of 3-hour duration per week. Each session will typically involve lecture, class discussion and any scheduled project presentation. Discussions are the key to a good learning experience and for that reason a high level of student participation is expected in each class (see Class Participation below).
Schedule
TBA

Teaching Assistants
TBA

Academic Integrity
All acts of academic dishonesty (including, but not limited to, plagiarism, cheating, fabrication, facilitation of acts of academic dishonesty by others, unauthorized possession of exam questions, or tampering with the academic work of other students) are serious offences.

All work presented in class must be the students’ own work. Any student caught violating this policy may result in the student receiving zero marks for the component assessment or a fail grade for the course. This policy applies to all works (whether oral or written) submitted for purposes of assessment.

Where in doubt, students are encouraged to consult the instructors of the course. Details on the SMU Code of Academic Integrity may be accessed at http://www.smuscd.org/resources.html.

Homework (not graded)
Regular assignments will be posted to help you review the concepts taught in class and prepare for the midterm and final examinations. Students are strongly encouraged to keep up with these assignments; although they are not graded, your performance on the examinations is likely to improve if you work consistently on the assignments.

Midterm and Final Examinations
Midterm exam will be in Week 7. Final exam date will be announced by the Registrar Office. The final examination will cover all the material taught in the term. Please note that no makeup examination will be provided. Their format will be announced to the class closer to the exam dates.

General Expectations
It is students’ responsibility to keep me apprised in the event that they are unable to fulfill any of the course requirements. This should be done in a timely fashion, i.e., at least one week in advance. Take note that in fairness to the rest of your classmates, no alternative arrangements will in general be made to the components used to evaluate your course grade.

Required Text

Other References


**Tentative Lesson Plan**

**Week 1**  Introduction, International Trade Theory  
Gains from Trade (CFJ 2.1-2.3, 2.App.A)

**Week 2**  Ricardian Model (CFJ 4.1-4.3)

**Week 3**  Heckscher-Ohlin Model (CFJ 6.2-6.6, 6.App)

**Week 4**  Imperfect Competition and Trade (CFJ 7, 12.1)

**Week 5**  International Trade Policy  
Tariffs and Nontariff Trade Barriers (CFJ 10, 13.3-13.5)

**Week 6**  Strategic Trade Policy (CFJ 12.2-12.3, 12.App)

**Week 7**  Multilateral Trade Liberalization (CFJ 13.1-13.2)  
 Preferential Trade Liberalization (CFJ 14.2-14.3, 14.6)  
**Midterm Examination** (Outside of Class Time)

**Week 8**  School Recess

**Week 9**  Balance of Payments Accounts (CFJ 15)  
Foreign Exchange Market (CFJ 21.2)  
Models of Balance of Payments and Exchange Rate Determination  
Elasticity Approach (CFJ 16, 16.App)

**Week 10**  Keynesian Approach (CFJ 17.1-17.3)  
Internal-External Balance Adjustment I (CFJ 18, 18.App.B)

**Week 11**  Mundell-Fleming Approach (CFJ 19.1, 22, 23)  
Internal-External Balance Adjustment II  
Project Presentations

Project Presentations

**Week 13**  Exchange Rate Regimes (CFJ 19.App.A, 26.5)  
Currency Crises (CFJ 24)  
Project Presentations

**Week 14**  Revision Week

**Week 15 or 16**  **Final Examination** (TBA)
Appendix A: Class Participation (20%)

Student participation is taken seriously. Your attendance will be recorded for each class, and late comers will be noted. It must be emphasized that class participation is not just class attendance. Students are expected to read the relevant material before coming to class, and to come prepared with questions and participate in discussions. Those who repeatedly do not speak up can expect “cold calls”. On the other hand, the quality of one’s comments will ultimately matter more than quantity. Students who make constructive comments that demonstrate a critical understanding of the material (for example, relating it to current events and phenomenon) will in general receive strong class participation marks.

Each student’s participation in each class session will be evaluated on a scale from 0 to 5:

- 0 unexcused absence
- 1 excused absence
- 2 less than adequate participation
- 3 acceptable participation
- 4~5 excellent contribution(s)

The evaluation will be based on the following criteria:

a. Content mastery. Participation quizzes will be used to evaluate how attentively you followed and understood the course material covered in the current lecture. This is a minimum expectation for acceptable participation.

For each in-class quiz, you will first attempt the question on your own. Thereafter, you may discuss your answer with any classmate for confirmation or consultation. Finally, you will write down your final answer, before submitting the quiz in. Only your final answer will be graded. Participation quiz questions will also illustrate the types of questions that you might expect on the mid-term and final exams.

b. Contribution to the class process. Students are encouraged to speak up in class, but comments should always be constructive. These should demonstrate attentiveness to the lecture, or alternatively attempt to build upon the ideas of others by responding to or providing thoughtful criticism. You should not feel shy to ask relevant questions, particularly if clarification on class material is needed. Students who speak up regularly will generally receive an acceptable, if not an excellent rating for class participation.

c. Quality of argument. While frequent class participation is important, quality will ultimately matter more than quantity. The best student contributions will ideally demonstrate use of logical consistency, aptness to the issues under discussion, and make useful connections to prior course material. If well done, this would warrant an excellent class participation rating.

Class participation will be deemed less than adequate if a student is clearly not attentive to what is going on in class, gives only one or two word answers to questions without at least a little elaboration, makes remarks that are totally irrelevant, or shows insensitivity to others.
Appendix B: Term Project (20%)

The term project will consist of a written report (10%) and a group presentation (10%).

1. Report (10%)

You are to work in a group of 4-5 students and write an academic literature review on a research topic related to international macroeconomics. A list of potential research topics will be distributed in class. For each topic, 5-6 required readings are suggested. Extra supplementary readings may be added at your own discretion.

Each group needs to submit only one joint report, not to exceed 15 pages (double-spaced with 12-point font size and 1-inch page margins), excluding references, footnotes, and appendix.

To write a literature review, you are not expected to create an original theory or conduct an original empirical study. Instead you are expected to compare, contrast, summarize, or criticize the research findings of previous work in the literature. In the current context, 5-6 previous works have been identified for you. Most of them are academic research papers published in economics journals and may be technically demanding. You are not expected to fully grasp the details of the methodology, but you are expected to understand the general contributions of these papers: what ideas, results or propositions has the paper advanced? What are the main implications of each paper’s findings? The better you understand these papers, the sharper and more insightful a review you can produce.

As a rule of thumb, the review of previous work should make up 80 percent or more of the total report. Your task is to synthesize and organize the material, so that an uninformed reader can learn about the topic at hand from reading your literature review. You are welcome to present your own conclusions, opinions and even criticisms about the papers under review, but only after you have carefully discussed the content of the papers.

You are expected to adopt the tone of an academic article in your report, particularly in the use of references. Be sure to provide full citations, including authors’ names; titles of articles, journals, chapters, and books; publishers; publication years; page numbers of articles; etc., and cite the author, year, and/or page number in the body of the report. Refer to any standard bibliography style guide (Appendix C gives some examples), but be consistent and use the same style in all sections of your report.

The written report should be submitted within a week after you have made your presentation.

Students are reminded that SMU takes a serious view towards issues of intellectual honesty. For this course, any sources that you employ or ideas that you adopt from prior researchers should be referenced when you write up your term paper to give due attribution. (See Appendix C on the appropriate style for making citations.) Instances of plagiarism will be dealt with seriously in accordance with standard university practices.
2. Class presentation (10%)

Starting from Week 11, there will be project presentations every week (see schedule below). Your class presentation should be a concise summary of your written report. You will have 25 minutes for the group presentation, including Q&A. You can nominate 1 or 2 persons in your group to present your overall group report, while other group members stand ready to answer questions. One grade will be given for all students in the same group.

Each group should prepare 1 multiple-choice question on one of the most important points in your presentation, which will be handed out to the entire class at the beginning of the presentation and whose answer should be clear to students who listen attentively to your presentation. The question should be emailed to me two days before the presentation so that copies can be made before class time. There should be 5 possible answers to each multiple-choice question and only 1 correct answer. The correct answer should not be indicated on the handout prepared for the class, or given directly to the class during the presentation, but an answer key should be turned in to me with your question. The question will be used in determining part of your grade on the presentation, so prepare them carefully. The primary purpose of these questions is to provide the class with strong incentives to listen carefully to the presentations, and to ask questions when something is not clear. Limit your question content to the required readings for each research topic, so the class may refer to the source for verification if they could not fully understand your presentation on the spot.

Tentative schedule for term project

<table>
<thead>
<tr>
<th>Week</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Each group must submit by e-mail to the TA: (1) A list of names of all members of your team and (2) a list of your three top choices for research topics.</td>
</tr>
<tr>
<td>4</td>
<td>Research Topics assigned</td>
</tr>
<tr>
<td>11</td>
<td>Project presentations, Topics 1-3</td>
</tr>
<tr>
<td>12</td>
<td>Project presentations, Topics 4-6</td>
</tr>
<tr>
<td>13</td>
<td>Project presentations, Topics 7-9</td>
</tr>
</tbody>
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3. Here are some helpful hints for searching for the listed papers or supplementary readings using electronic resources available at SMU:

EconLit is an electronic database of economics articles and books. You can search in EconLit by author, title, journal, etc., but usually you will want to do a keyword search. It is available via SMU library at: http://libproxy.smu.edu.sg/login?url=http://search.ebscohost.com/login.aspx?authtype=ip,uid&profile=ehost&defaultdb=ecn.

You may also search in JSTOR, which includes a narrower range of economics journals. It is available at http://www.jstor.org. To obtain full access to the database, you need to access the SMU network via VPN or be physically in the SMU network (http://libproxy.smu.edu.sg/login?url=http://www.jstor.org)

You may also search in Economist.com for articles related to your research topic that provide a more accessible treatment of the subject intended for the general public. To obtain full access to the magazine, you need to access it via SMU library under e-journals.

The research guide for our course provided by the library is at http://researchguides.smu.edu.sg/intleconomicsB

Appendix C: Style of References and Citations

References: click http://www.aeaweb.org/sample_references.pdf for a detailed style guide

Some examples for citations:
- A similar procedure is explored by Helpman and Krugman (1985, pp. 10–12).
- This argument is discussed in Helpman, et al. (2004).
- This argument is discussed in Helpman, Melitz, and Yeaple (2004).
- .... (See Acemoglu 2002 for a detail discussion) ....