

ECON 251 International Economics

Fall 2023

TuTh 2:35pm–3:50pm, Masters Hall 117

Instructor: Baris Guven, Ph.D.

E-mail: bguven@gettysburg.edu

Office: Weidensall, Room 305

Office Hours: Fr 3pm–5pm and by appointment

Website: <https://barisguven.netlify.app>

<https://umass.academia.edu/BarisGuven>

1 Course Overview

International economics is the study of all the various economic connections between countries, and the global economic system. It seeks to explain the flows of goods, money and people between countries; the behavior of exchange rates; the ways in which macroeconomic developments in one country or region affect countries elsewhere; the processes by which some countries become rich while others become (or remain) poor; the ways in which societies are shaped and constrained by their economic relations to the rest of the world; and the rules or logic that govern the system as a whole. As in all other fields of economics, there are various competing theories in international economics, too. This course aims to give you a broad overview of these different theories on international economics, while at the same time equipping you with the necessary tools and concepts. You will not only learn the fundamentals of the textbook international economics but also get a chance to study various critiques as well as their applications to real-world issues. We will study basic questions such as: What determines the direction and nature of trade flows? What are the consequences of international trade for national and global income distribution? How do countries gain or lose from trade? How does trade impact economic development? What effects are likely to arise from tariffs and other policy measures? We will also address several contemporary policy issues, including analyses of currency and financial crises, debates around international financial institutions, and the domestic and global implications of U.S. current account deficits. The main objective of this course is to stimulate an intellectual interest in extending the frontiers of our knowledge of international economics related issues.

2 Learning Objectives

By the conclusion of this course, students are expected to

1. identify definitions for terminology critical to understand international economics
2. describe, compare and contrast different theoretical approaches to international economic issues
3. apply the acquired knowledge to the analysis of the international economic relations of a selected country

4. persuasively argue a position on a policy question concerning international economics

3 Course Prerequisites

Econ 101 and one course from 201-239 or Econ 103 and 104.

4 Course Materials

4.1 Textbook

The required textbook for our course is James Gerber's *International Economics*, 8th edition. The publisher, Pearson, offers it in both digital and physical forms as rentals. Among these, the most affordable option is eTextbook, which is a digital rental with a 4-month subscription. I recommend you purchase this version for which the publisher charges \$48.96. You can purchase the textbook through the College's [bookstore](#). Please also note that the previous edition (7th) of the textbook is offered only as loose-leaf and hardcover and both copies are significantly more expensive than the recommended eTextbook copy. Do not hesitate to contact me if you have any questions about how to obtain a valid version of the textbook.

4.2 Additional Materials

In addition to the textbook, we are going to use the following materials in our course.

4.2.1 Readings

Akyuz, Y. (2015) 'Internationalization of Finance and Changing Vulnerabilities in Emerging and Developing Economies'. South Centre.

Bonvillian, W.B. (2021) *Emerging Industrial Policy Approaches in the United States*. Information Technology and Innovation Foundation.

Chang, H.-J. and Andreoni, A. (2020) 'Industrial Policy in the 21st Century', *Development and Change*, 51(2), pp. 324–351.

Crotty, J. and Epstein, G. (1999) 'A Defense of Capital Controls in Light of the Asian Financial Crisis', *Journal of Economic Issues*, 33(2), pp. 427–433.

Crotty, J. and Lee, K.-K. (2005) 'From East Asian "Miracle" to Neo-liberal "Mediocrity": The Effects of Liberalization and Financial Opening on the Post-crisis Korean Economy', *Global Economic Review*, 34(4), pp. 415–434.

Deraniyagala, S. and Fine, B. (2001) 'New trade theory versus old trade policy: a continuing enigma', *Cambridge Journal of Economics*, 25(6), pp. 809–825.

Freund, C. et al. (2023) *US-China decoupling: Rhetoric and reality*, CEPR.

Obstfeld, M. (2012) 'Does the Current Account Still Matter?', *The American Economic Review*, 102(3), pp. 1–23.

Palma, J.G. (2013) 'How the Full Opening of the Capital Account to Highly Liquid and Unstable Financial Markets Led Latin America to Two and a Half Cycles of "Mania, Panic and Crash"', in

M.H. Wolfson and G.A. Epstein (eds) *The Handbook of the Political Economy of Financial Crises*. Oxford, New York: Oxford University Press.

Pettis, M. (2019) 'Why Trade Wars Are Inevitable', *Foreign Policy*, (234), pp. 32–35.

Pieper, U. and Taylor, L. (1998) 'The revival of the liberal creed: the IMF, the World Bank, and inequality in a globalized economy', in D. Baker, G. Epstein, and R. Pollin (eds) *Globalization and Progressive Economic Policy*. Cambridge: Cambridge University Press, pp. 37–63.

'Policies for Economic Development: Industrial, Trade and Technology Policies in Historical Perspective' (2002) in Ha-Joon Chang, *Kicking away the ladder: development strategy in historical perspective*. London: Anthem, Anthem Press (Anthem studies in development and globalization), pp. 13–68.

Prasch, R.E. (1996) 'Reassessing the Theory of Comparative Advantage', *Review of Political Economy*, 8(1), pp. 37–55.

Renshaw, J. and Jin, H. (2023) 'New Biden EV charger rules stress Made In America, force Tesla changes', *Reuters*, 15 February.

Rodrik, D. (2008) 'The Real Exchange Rate and Economic Growth', *Brookings Papers on Economic Activity*, 2008, pp. 365–412.

Swanson, A. (2022) 'Biden Administration Clamps Down on China's Access to Chip Technology', *The New York Times*, 7 October.

Swanson, A. (2023) 'The CHIPS Act Is About More Than Chips: Here's What's in It', *The New York Times*, 28 February.

'The Division of Labor' (1998) in Braverman, H., *Labor and Monopoly Capital: The Degradation of Work in the Twentieth Century*. 25th Anniversary edn. New York: Monthly Review Press.

Tokunaga, J. and Epstein, G. (2018) 'The endogenous finance of global-dollar-based financial fragility in the 2000s: a Minskyan approach', *Review of Keynesian Economics*, 6(1), pp. 62–82.

4.2.2 Documentaries and Movies

- Redmon, D. (2005) [Mardi Gras: Made in China](#).
- Rahul, J. (2016) [Machines](#).

4.3 Access to Course Materials

All class announcements, lecture slides, problem sets, and additional course material are posted on Moodle, the learning management system of Gettysburg College. You should check Moodle daily. Note also that the College students can read online and for free *The New York Times* by activating a [NYTimes.com Group Pass](#) and *Wall Street Journal* by [creating an account](#). The physical issues of such magazines as *Bloomberg Businessweek* and *The Economist* can be found at Musselman Library. You can search for specific articles in these magazines on [MUSCAT Plus](#). The documentaries and movies listed above can be accessed from Moodle.

5 Course Requirements and Grading

Your course grade consists of four elements: attendance and participation, problem sets, response papers and two midterm exams.

1. **Attendance and Participation (10%):** I will take attendance in every lecture using Moodle. Attendance will make up half of your attendance and participation grade. The other half will come from your classroom participation/engagement. Please note that I will only consider health conditions that you can document, family emergencies, and religious holidays or observances as valid excuses for absence, and I will not accommodate any other absence requests. As per the College's [guidance](#) for religious observance for students, you have the responsibility to notify me in advance of religious holidays or observances that might coincide with exams, assignments, or class times to schedule mutually acceptable alternatives. You are also responsible for making up any work missed as a result of an accommodation.
2. **Problem Sets (20%):** You will be assigned 6 problem sets and they will be available on Moodle. You are encouraged to work on these in small groups. However, do not simply copy someone else's answers in your group. Do your own work and exchange ideas with your fellow students to answer the questions. Copying from others will set you up for failure in the midterm and final exams. Each student must submit their own assignment.
3. **Response Papers (20%)** You are going to submit 4 response papers based on the course readings. The information on the content and format of the response papers will be available on Moodle.
4. **Two Midterm Exams (50%):** Your knowledge and comprehension of course topics will be also tested through two midterm exams. The exams will include short- and long-answer questions. The midterm exams will take place in the lecture room. The first midterm exam is scheduled for **Thursday, October 12** and the second one for **Tuesday, November 21**.

Finally, the letter grades will be assigned according to the following schedule with **no rounding**:

Cut-off	97	93	90	87	83	80	77	73	70	66	63	60	-
Grade	A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	F

Please note that your grade depends on the fixed standard of comprehension and expression above and not on comparison to other students. Therefore, you should feel comfortable discussing and sharing your notes, ideas, and writing with your fellow students.

6 Class Communication

I will use Moodle announcements to communicate with you throughout the semester. You should make sure to see my announcements not too late in order to stay up-to-date with the class. Note that Moodle sends notification emails to students about course announcements, assignments, feedback and more.

7 Accommodation Policy

Gettysburg College promotes self-disclosure and self-advocacy for students with disabilities admitted through the regular admissions process. The College recognizes students with disabilities have the legal right and responsibility to present requests for reasonable accommodations. The [Center for Student Success](#) assists students with disabilities with their requests for accommodations. If you have a documented disability that requires accommodation, please request disability accommodation with the Center for Student Success so that we may make appropriate arrangements.

8 Title IX Policy

Gettysburg College and its faculty are committed to creating a safe and open learning environment for all students. If you or someone you know has experienced sexual harassment, including sexual assault, dating or domestic violence, and stalking, know that help and support are available. Please be aware that all faculty members are required to report instances of sexual misconduct to the College's Office of Sexual Respect and Title IX. When a report is made the College's Title IX Coordinator will reach out to the impacted individual with information about resources, supportive measures, and resolution processes. If you wish to speak to a confidential resource, I encourage you to contact any of the confidential resources on campus and within the local community, which can be found here: <https://www.gettysburg.edu/offices/sexual-respect-title-ix/resources/resource-list>.

9 Other Course Policies

All members of ECON 251 must *read and agree* to these policies:

1. **LATENESS** You are expected to arrive and be seated by 2:35pm. To ensure this, arrive early. Being late disturbs and distracts your classmates and me. I will generally give a one-minute grace period before beginning the lecture. In the rare event that you arrive late (after 2:35pm) enter quietly and quickly and find a seat on an aisle. When you arrive late your goal is to be seen and heard as little as possible.
2. **TALKING DURING LECTURE** Do not talk to other students during lecture. If you are confused about something, raise your hand to ask me in class, or wait until after class to ask me, or another student. If you start a discussion with a neighbor, you will miss more of the lecture and get further confused.
3. **LAPTOPS, TABLETS, CELL PHONES, & OTHER DEVICES MUST BE PUT IN SILENT MODE** While you can use your laptop or tablet to take notes, please note that many studies show that if two groups of students view the same lecture, students who took notes longhand score much higher on an assessment than did the students who took notes using a laptop. Research also shows that laptops in the classroom distract the students who use them and other students who sit nearby. In any case, students are not permitted to tape, film, or record lectures.
4. **AT THE END OF LECTURE** As the end of lecture approaches do not prepare to leave (e.g., closing your notebook, packing up your book bag, putting on your coat). Wait until I announce the lecture is over. This "preparing-to-leave" activity distracts your classmates who are trying to listen to the end of the lecture and me. If you must leave class early on a particular day, let me know in advance, and sit in the back.

5. **RESPECT AND GOODWILL** All members of ECON 251 will treat all other members with respect and goodwill. It is not possible to conduct an honest, reasoned discussion of social and economic issues without reciprocal respect and goodwill.
6. **ACADEMIC INTEGRITY AND THE HONOR CODE** All students must adhere to the principles and practices in the [Honor Code](#), maintain the highest integrity in their academic work, be committed to the critical evaluation of ideas, be free of personal prejudice, and recognize the obligation to create an atmosphere of mutual trust and respect.

10 Study Tips

The following may help you do well in this and other courses.

- Spend a minimum of ten hours a week (not including class time) on this course to learn the material and get enough practice. Practicing sound problem-solving skills is very important in economics.
- Do not fall behind; keep up with the material every week to apply your new economic skills.
- Read the chapters, readings, and assignments carefully keeping pen and paper at your side to work out the various points being made. Redraw every graph to understand how it works and what it shows. Rewrite every equation to understand how it operates and what it means.
- Spread your studying for exams over several days and quiz yourself on the relevant material before exams. These are highly effective learning strategies shown to boost student performance on exams.
- Do not highlight chapters; this does little to improve learning. Instead, work in groups of one or two classmates on problems then consult the lecture notes, recitation notes, textbook, or instructor for help. Students who study on their own then discuss their work in small groups of their classmates understand the material better and feel more engaged with their classes.
- Get to know your professor. Studies show that students who get to know their professor feel more connected to the course material and the college, understand the material better and get better grades. Come to office hours to ask questions regularly. Do not put off attending office hours until the day before assessments – it gets too crowded at those times. Ask specific questions.
- Do not hide academic problems. Studies show that students who ask for help improve their grades and those who do not spiral downward – isolated, failing, and unhappy.
- Think carefully about how much time you devote to studying for this course. Research shows that students who do well always mention the time they spent studying for the course in evaluations of their experience. Students who do poorly never mention time. You should think about how much time you devote to this course, the quality of your study time when you are going to study, and so on.
- You cannot study for any university course like you did in high school – 25 minutes at lunch, half an hour before class, and 45 minutes at night. Research shows grades and understanding improve when university students set aside an *uninterrupted stretch of a few hours* to study one subject.

11 Weekly Course Schedule

Below is our weekly course schedule. The asterisked readings are optional.

Dates	Topic and Readings	Assignments
Aug 29 & 31	The World Economy and International Economic Institutions Gerber, Chapter 1 and 2 * Pieper and Taylor, 'The Revival of the Liberal Creed'	
Sep 5 & 7	Comparative Advantage and the Gains from Trade Gerber, Chapter 3 Prasch, 'Reassessing the Theory of Comparative Advantage' Braverman, 'The Division of Labor'	Homework 1
Sep 12 & 14	The Heckscher-Ohlin Trade Model Gerber, Chapter 4 * Deraniyagala and Fine, 'New trade theory versus old trade policy: a continuing enigma'	Homework 2
Sep 19 & 21	Beyond Comparative Advantage Gerber, Chapter 5	Homework 3
Sep 26 & 28	Trade Policy Gerber, Chapters 6 and 7 Chang, 'Policies for Economic Development: Industrial, Trade and Technology Policies in Historical Perspective'	Response Paper 1
Oct 3 & 5	International Trade and Labor and Environmental Standards Gerber, Chapter 8 Redmon, Mardi Gras: Made in China Rahul, Machines	
Oct 12	Midterm Exam	
Oct 17 & 19	Trade and Balance of Payments Gerber, Chapter 9	Homework 4
Oct 24 & 26	Exchange Rates Gerber, Ch 10 Rodrik, 'The Real Exchange Rate and Economic Growth'	Homework 5
Oct 31 & Nov 2	International Financial Crises - 1 Gerber, Chapter 12	Homework 6

Nov 7 & 9	<p>International Financial Crises - 2</p> <p>Crotty and Lee, 'From East Asian "Miracle" to Neoliberal "Mediocrity"'</p> <p>Palma, 'How the full opening of capital account to highly liquid and unstable financial markets led Latin America to two and a half cycles of 'mania, panic and crash'</p> <p>Crotty and Epstein, 'In Defense of Capital Controls in Light of the Asian Financial Crisis'</p> <p>Romero et al., 'Argentina: 20 years on, has the IMF really changed its ways?'</p> <p>Guzman and Stiglitz, 'How Hedge Funds Held Argentina for Ransom'</p>	Response Paper 2
Nov 14 & 16	<p>US in the World Economy</p> <p>Gerber, Chapter 13</p> <p>PBS Frontline Documentary, 'Trump's Trade War'</p> <p>Freund et al., 'US-China decoupling: Rhetoric and reality'</p> <p>Bloomberg Originals, 'This is How Huawei Shocked America with a Smartphone'</p>	
Nov 21	Second Midterm Exam	
Nov 28 & 30	<p>U.S. Current Account Deficit and Global Imbalances</p> <p>Obstfeld, 'Does the Current Account Still Matter?'</p> <p>Tokunaga and Epstein, 'The Endogenous Finance of Global Dollar and Global Financial Fragility in the 2000s: A Minskian Approach'</p> <p>Pettis, 'Why Trade Wars Are Inevitable'</p>	Response Paper 3
Dec 5 & 7	<p>The Return of Trade and Industrial Policy</p> <p>Chang and Andreoni, 'Industrial Policy in the 21st Century'</p> <p>Bonvillian, 'Emerging Industrial Policy Approaches in the United States'</p> <p>Swanson, 'The CHIPS Act Is About More Than Chips: Here's What's in It'</p> <p>Renshaw and Jin, 'New Biden EV charger rules stress Made In America, force Tesla changes'</p>	Response Paper 4