

# **Fundamentals of International Economics**

## **IR 292**

Spring 2007  
CAS 211

Tuesdays and Thursdays  
9:30 to 11 a.m.

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Office hours: Monday, Thursday, 3-4:30

**OBJECTIVE:** The objective of this course is to give the student in international relations a basic overview of economic approaches to globalization and the workings of the world economy. The course will cover theories, tools, and institutions for international trade and finance, in addition to policy analysis and the institutional context of global economic integration.

**COURSE OVERVIEW:** In recent decades, the world economy has undergone an unprecedented level of integration. Since the mid-1980s, the value of world trade has more than quadrupled and the value of foreign investment has increased by a factor of fifteen. These flows have been facilitated by a proliferation of global, regional, and bilateral trade and investment agreements. To name but a few, the 1990s alone ushered a new round of global trade negotiations under the GATT that resulted in the creation of the WTO, the solidification of common markets in Europe and South America, and the NAFTA. This trend has far from stopped. Over the next five years, a new round of WTO negotiations has been launched (referred to as the Doha round), as well as a proposed Free Trade Area of the Americas (FTAA) that would integrate the economies of the Western Hemisphere. What's more, currency crises loom in Asia, Latin America, and possibly even the United States.

This course will provide students with knowledge of the basic tools that economists use to analyze these and many other questions and trends in the global economy. Such a basic economic literacy will prove essential to students of international relations, as they will be able to examine global problems beyond the headlines.

**COURSE GRADING:** There will be two exams for this course. One will be held midway through the semester and the other on the last day of class. Students will also have weekly homework assignments and give in class presentations. You will also be graded on attendance—in both class and discussion section. Missing more than three classes can result in deductions from your grade. Grades will be calculated as follows:

Mid-term:	35%
Second exam:	35%
Class presentations:	10%
Homework:	10%
Attendance:	10%

**Homeworks:** Each week students will hand in **typed** homework assignments each week during the discussion period.

**Class Presentations:** Each class will begin with three, 3-5 minute presentations on international economics and development across the globe. Students will be split into the following groups:

US foreign economic policy  
Latin America and the Caribbean  
Africa  
Middle East  
European Union  
Asia  
FSR and Newly Independent States

### **Books**

Gerber, James (2005). *International Economics* (Third Edition). Addison Wesley.

Oatley, Thomas (2005). *The Global Economy*. Pearson Longman.

## **COURSE OUTLINE:**

### **January**

16: **Introduction to the course, discussion of globalization and the world economy.**

18: **Introduction to the U.S. and the Global Economy.**  
Gerber, Chapter 1; Oatley, "Introduction," and Chapter 18

A. Homework: read about BIG MACs

<http://www.economist.com/markets/bigmac/>

B. Also:

- 1) [www.worldbank.org](http://www.worldbank.org), then click
- 2) "Data and Research" top drop down menu, then click
- 3) "Data", then click
- 4) "Data," on the left hand side
- 5) scroll down to "Country Profiles,"

**Pick and print out:**

"World"

"Latin America and the Caribbean,"

"United States,"

-one country from Latin America of your choice

6) How big is the world economy? How much is exported? Study these pages

23: **Introduction to the U.S. and the Global Economy.**  
Gerber, Chapter 1; Oatley, Chapter 3

Homework:

WOMEN: Go through all your clothes, look at the labels, and make a list of where they were made.

MEN: Go through all your appliances and do the same.

25: **International Economic Institutions Since World War II : IMF and the World Bank**  
Gerber, Chapter 2; Oatley, Chapter 15

26: **Discussion Homework: Chapter 1, Vocabulary and Study Questions 2, 3, 4, 5, 8**

30: **International Economic Institutions Since World War II: The WTO and RTAs**  
Gerber, Chapter 2; Oatley, Chapter 4, 6

## February

- 1: **The Economics of International Trade: Comparative Advantage and the Gains from Trade**  
Gerber, Chapter 3
- 2 **Discussion Homework: Chapter 2, pick Vocab and Study questions 3, 4, 5, 6**
- 7: **The Economics of International Trade: Comparative Advantage and the Gains from Trade**  
Gerber, Chapter 3; Oatley Chapter 3 (again)
- 8: **The Economics of International Trade: The Neo-Classical Approach**  
Gerber, Chapter 4; Oatley, Chapter 1
- 9: **Discussion Homework: Chapter 3 Vocab and Study questions 1 (a-e), 3; Chapter 4 Vocab and Study Questions 1,2,4,8**
- 13: **The Economics of International Trade: Tariffs and Quotas**  
Gerber, Chapter 6; Chapter 7, 132-138
- 15: **The Economics of International Trade: Commercial Policy**  
Gerber, Chapter 7
- 16: **Discussion homework:** Chapter 6 Vocab and Study Question 1; Questions 1-4
- 22: **The Economics of International Trade: Beyond Comparative Advantage**  
Gerber, Chapter 5  
Chang, Ha-Joon (2003). "Kicking Away the Ladder: The "Real" History of Free Trade." Foreign Policy in Focus  
<http://www.fpif.org/pdf/papers/SRtrade2003.pdf>
- 23: **Discussion homework:** Chapter 5 study questions 1, 4, 7, 8
- 27: **The Economics of International Trade: International Trade and Environmental Standards**  
Gerber, Chapter 8; Oatley Chapter 5

## March

- 1: **The Economics of International Trade: International Trade and Labor Standards**  
Gerber, Chapter 8; Oatley Chapter 9

- 2: **Discussion homework: Chapter 8 Vocab and Study Questions 6 and 7**
- 6: Review for exam
- 8: Mid-term
- 20: **The Economics of International Finance: Trade and the Balance of Payments**  
Gerber, Chapter 9:
- 22: **The Economics of International Finance: Trade and the Balance of Payments**  
Gerber, Chapter 9:
- 23: **Homework: Chapter 9, Vocab and Study questions 2 and 3**
- 27: **The Economics of International Finance: The Economics of International Finance: Exchange Rates and Currency Markets**  
Gerber, Chapter 10; Oatley Chapter 11
- 29: **The Economics of International Finance: The Economics of International Finance: Exchange Rates and Currency Markets**  
Gerber, Chapter 10; Oatley Chapter 13
- 30: **Discussion Homework: Chapter 10 Vocab and Study Questions 1 and 3**

## **April**

- 3: **The Economics of International Finance: Open Economy Economics**  
Gerber, Chapter 11, Oatley, Chapter 14
- 5: **The Economics of International Finance: Open Economy Economics**  
Gerber, Chapter 11, Oatley, Chapter 14
- 6: **Discussion Homework: Chapter 11 Vocab and Study Questions 3 and 7**
- 10: **International Financial Crises**  
Gerber, Chapter 12; Oatley, Chapter 15
- 12: **International Financial Crises**  
Gerber, Chapter 12; Oatley, Chapter 15
- 13: **Discussion Homework: Chapter 12 Study questions 1 and 2**

17: **International Financial Crises**  
Gerber, Chapter 12; Oatley, Chapter 15

18: **Discussion: film on Argentina**

24: **Mexico and Latin America**  
Gerber, Chapter 13 and 15; Oatley, Chapter 2

26: **East Asian Growth**  
Gerber, Chapter 16

27: Discussion: Review for Exam

**MAY**

1: Second Exam