



**MACQUARIE
UNIVERSITY**

FACULTY OF
BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

**ECON303 INTERNATIONAL ECONOMICS
UNIT OUTLINE
2009**

- I. Course description**
- II. Enquiries**
- III. Web page**
- IV. Course requirements**
- V. Assessment**
- VI. Text books**
- VII. Lecture and tutorial times**
- VIII. Lecture outline and reading guide**
- IX. Essays**

ECON303 INTERNATIONAL ECONOMICS

Students should read this unit outline at the start of the semester as it contains important information about the unit. If anything is unclear, please consult the lecturer in charge.

ECON303 International Economics is an upper-level elective course with a credit point value of three. It extends the lessons learnt in 100 and 200-level economics units to the specialised area of international economics, as well as providing additional analytic tools and insights appropriate to this area of study. The unit places **strong emphasis on developing analytical and theoretical skills** as a means of encouraging rigorous and logical thinking about real-world economic questions. As a result, it is hoped that students will finish the course with a framework for thinking about the international economy and an appreciation of the issues that are current in international economics.

I. COURSE DESCRIPTION

The course is divided into two main sections: the pure (non-monetary) theory of international trade and international monetary theory. Within the first section, the following topics are discussed: What causes international trade? How is the pattern of trade determined? What are the economic welfare gains from free trade in goods and factors (globalisation)? What are the welfare effects of tariffs and other non-tariff barriers? Is there a valid economic case for interventionist trade policy, such as protection? Within the second section, we analyse the workings of the international monetary system, including the role of the International Monetary Fund. What determines the exchange rate? What is the impact of macro policy on the current account and output? How important is international cooperation?

A summary of the course content is as follows:

1. The gravity model
2. Ricardian theory of comparative advantage
3. Heckscher-Ohlin model of comparative advantage
4. "New" theories of trade
5. Tariffs and trade policy
6. National income accounting and the balance of payment
7. Exchange rate determination
8. Macroeconomic policy in an open economy
9. International monetary system and the IMF
11. Optimum currency areas and the European experience
12. Financial crises

II. ENQUIRIES

Lecturer-in-charge:

**Natalia Ponomareva: E4A Rm. 428, ph. 9850 6194,
email: nponomar@efs.mq.edu.au**

III. WEB PAGE

The ECON303 International Economics web page address can be found by going to:

<http://learn.mq.edu.au>

Then click on login and enter your username and password. Students can use this site as a major means of obtaining updated information regarding the unit e.g. timetable adjustments, consultation times, lecture summaries, tutorial questions, online quizzes, unit outline, etc. The site also contains a discussion board that allows students to make comments and ask questions regarding the unit. Later in the course, students will be asked to submit an electronic version of their essay on this web page using the private mail function.

IV. COURSE REQUIREMENTS

Students should attend all lectures and tutorials and are required to submit an essay of no more than 2,000 words on one of the topics listed at the end of this unit outline. Students will also need to complete **four on-line quizzes**. There is also a two-hour final examination made up of a multiple-choice section and a long-answer section. **Students must pass the final exam in order to pass the course.**

V. ASSESSMENT

Final examination	70%
On-line quizzes	10%
Essay	20%

The quizzes will be available online in weeks 4, 7, 10, and 13.

VI. TEXT BOOKS

Textbook (recommended to buy)

Krugman, P. and M. Obstfeld (2008), *International Economics, Theory and Policy*, 8th ed., Addison-Wesley, Pearson, Boston.

Tutorial Topics (useful to buy, if cashed-up)

King, P. and S. King (2005) *International Economics and International Economics Policy: A Reader*, 4th ed., Boston, Irwin McGraw-Hill.

These books are held in the reserve section of the University library. Tutorial articles from King and King (2005) will be available for downloading from E-Reserve linked to the library web page under Reserve (see University library web-site: www.lib.mq.edu.au). Note that this is separate to the unit website.

VII. LECTURE AND TUTORIAL TIMES

Lectures

There is one two hour lecture each week. The details are as follows:

Monday	14.00 - 16.00	E7B 263
--------	---------------	---------

Tutorials

Tutorials will be held on Week 4 (15/3/09), Week 6 (30/3/09), Week 8 (27/4/09), Week 10 (11/5/09), Week 12 (25/5/09) and Week 13 (1/6/09). The tutorial times and locations are as follows:

Monday	12.00 -13.00	W6B 286
Monday	16.00 -17.00	E5A 107

VIII. LECTURE TOPICS AND READING GUIDE

1. Patterns of trade and the gravity model

Patterns of trade
Gravity model

Krugman and Obstfeld, Chs. 1, 2.

2. Ricardian model of comparative advantage

Assumptions

A one factor, two good economy

Relative prices before and after trade

World supply and demand

Gains from trade

Krugman and Obstfeld, Ch. 3.

3. Heckscher- Ohlin model

Equilibrium before and after trade

Factor prices and factor intensities

Stolper-Samuelson theorem

Rybczynski Theorem

Heckscher- Ohlin Theorem

Leontief paradox

World supply and demand

Krugman and Obstfeld, Chs. 4, 5.

4. New theories of trade

Imperfect competition

Economies of scale and trade

Intra-industry trade

Krugman and Obstfeld, Ch. 6

5. Tariffs/trade policy

Tariffs and other instruments of trade policy

Arguments for and against free trade

Krugman and Obstfeld, Chs. 8, 9, 11.

6. National income accounting and the balance of payment (WEEK 7)

Krugman and Obstfeld, Chs.12

7. Exchange rate determination

Asset market model
Short-run exchange rate determination and uncovered interest parity
Long-run exchange rate determination and purchasing power parity
Short and long run models combined

Krugman and Obstfeld, Chs. 13, 14, 15.

8. Macroeconomic policy in an open economy

Approaches to open-economy macroeconomics
Short-run macro model of open economy; impact of monetary and fiscal policy

Krugman and Obstfeld, Ch. 16, 17, 19.

9. International monetary system and the IMF

International monetary system
Exchange rate regimes
IMF role and functions
Reform issues

Krugman and Obstfeld, Chs.18, 19.

11. Optimum currency areas and the European experience

European Monetary System
European Monetary Union
Optimum currency areas
Euro

Krugman and Obstfeld, Ch. 20.

12. Special topic on financial crisis.

IX. TUTORIAL PROGRAM

There will be 6 tutorials in the course. Tutorial questions will be available on WebCT approximately 1 week before the tutorials. Relevant reading material should be available on E-reserve.

X. ESSAYS

You are required to compose an essay that is no more than 2000 words long on one of the topics given below. Along with each topic, a list of articles from King and King (2005) and other reference sources are given. **In order to pass this section of the course, you must reference each of these articles in your essay.** Any other reference material sourced must be from scholarly journals (for example, articles that can be accessed via Econlit or Science Direct).

To do well (credit or above) on the essay, you will need to demonstrate good generic skills. This will involve: a discussion focused on the specific essay question; coherent, critical and concise argument that employs economic thinking and analysis; an ability to understand the lecture and textbook material and weave this into your argument. **You do not need many additional references to do well on the essay i.e. evidence of clever thinking is what we are looking for.** Aim for a well-structured presentation that includes an abstract, an introduction that identifies the purpose and focus of the essay, a conclusion that draws the arguments together and correct referencing. The essay should be double spaced and typed on one side of the paper.

Students should hand their essay in at ERIC and submit an electronic version online to the ECON303 website. Late essays will be penalized a one mark deduction for each day late and there will be no extension without a medical certificate. Failure to hand in an essay before the final exam will result in a fail mark for the course. When you hand in your essay, you must include a cover page and a signed statement indicating that you understand the meaning and consequences of plagiarism. The relevant forms are at the back of this unit outline.

Essay topics will be provided in week 3 of the course.

Macquarie University
Faculty of Business and Economics

UNIT:	ECON 303 International Economics
ASSIGNMENT:	Essay
DUE DATE :	
LENGTH:	Word limit \leq 2,000 words
CONTRIBUTION TO FINAL ASSESSMENT:	20%
INSTRUCTION:	Submit to labeled box in ERIC
STUDENT NAME:	
STUDENT NUMBER:	
ESSAY TOPIC NUMBER:	
TITLE OF ESSAY:	
ESSAY GRADE:	
MARKER'S COMMENTS:	

DEFINITION OF PLAGIARISM

Plagiarism involves using the work of another person and presenting it as one's own. Any of the following acts constitutes plagiarism unless the source of each quotation or piece of borrowed material is clearly acknowledged:

- (a) copying out part(s) of any document of audio-visual material (including computer-based material);
- (b) using or extracting another person's concepts, experimental results, or conclusions, including paying an individual to write all or part of an essay.
- (c) summarising another person's work;
- (d) in an assignment where there was collaborative preparatory work, submitting substantially the same final version of any material as another student.

Encouraging or assisting another person to commit plagiarism is a form of improper collusion and may attract the same penalties.

STATEMENT TO BE SIGNED BY STUDENT:

- 1. I have read the definition of plagiarism that appears above.
- 2. In my essay I have carefully acknowledged the source of any material which is not my own work.
- 3. I am aware that the penalties for plagiarism can be very severe.

Name: _____

Signature: _____

Student Number: _____

THIS PAGE MUST BE COMPLETED AND ATTACHED TO THE ESSAY