

**BOSTON COLLEGE**  
**Department of Economics**  
**EC3376 International Economic Relations**  
Syllabus

Fall 2016 TTh 12:00

Campion 302

Professor James E. Anderson  
X2-3691

Room 389, Maloney Hall  
Office Hours: M 1:30-2:30, W 2:30-3:30 or  
by appointment

This course is a condensed one semester combination of EC3371 and EC3372, designed to serve the International Studies program. The faster pace makes it a bit more challenging than those courses separately.

I have a limited reading list in the belief that less is more in learning economics. I may occasionally supplement the reading list with current material from the flood of media generated data on international issues, particularly from the Economist. I encourage students to do likewise.

Practice thinking like an economist as you read or listen to popular descriptions of economic affairs; you will enjoy understanding more about the world and become more adept at taking exams in economics. Also, you may impress your friends (though this can easily backfire) and eventually prospective employers or clients.

Memorizing is not a successful strategy in this course; practicing analysis is. Practicing is done with exercises: besides those assigned it is best to do all of them. The textbook website has further support materials including exercises. **Past experience indicates it is very useful to read the text before the lecture.**

EC3376 Course Requirements:

The midterm exam is October 18 (40%). The final exam (40%) will be Dec. 19 at 12:30 (the University exam schedule time). Exams missed without prior consent of instructor (given only in extraordinary circumstances) will be graded "F." I never give makeup exams.

Weekly problem sets constitute 16% of the grade. Collaboration on problem sets is encouraged. Answer sheets will be provided on LMS 24 hours prior to the deadline. Grade yourself based on your understanding after checking the answers. If your self evaluation significantly exceeds your exam performance, your problem set grade will be discounted.

The remaining 4% of the grade is awarded for questions asked in class that are relevant to the course. 2 points for a relevant question, up to 4 points maximum.

Academic integrity is central to the mission of higher education. Please observe the highest standards of academic integrity in this course. Please review the standards and procedures that are published in the university catalog and on the web, at: (<http://www.bc.edu/offices/stserv/academic/resources/policy/#integrity>). Make sure that the work you submit is in accordance with university policies. If you have any questions, please consult with me. Violations will be reported to the Deans' Office and reviewed by the College's Committee on Academic Integrity. This could result in failure in the course or even more severe sanctions.

TEXTBOOK: Robert C. Feenstra and Alan Taylor, Essentials of International Economics 2<sup>nd</sup> Ed., Worth, 2012. 3<sup>rd</sup> edition is acceptable but not worth the price in my opinion.

\* denotes optional reading

#### OTHER Sources

1. D. Irwin, Free Trade Under Fire, Princeton U. Press, 2002. Summary of research by economists on issues raised by anti-globalists.
2. P. Rivoli, The Travels of a T-shirt in the Global Economy, Wiley, 2004. Journalistic case study of all the persons connected by the T-shirt trade.
3. M. Levinson, The Box, Princeton University Press, 2006. Study of the development of containerization.
4. P. Seabright, The Company of Strangers, Princeton University Press, 2004. Big picture on the evolution of institutions of modern trade.
5. American Trade Politics, 4th Ed., I.M. Destler, Institute for International Economics, 2005. Good but dated now.
6. K. Bagwell and R. Staiger, The Economics of the World Trading System, MIT Press, 2002.
7. J. Anderson “International Trade Theory” in New Palgrave Dictionary of Economics (available online at BC). Concise presentation of core international trade theory at advanced undergraduate level.
8. C. Reinhart and K. Rogoff, This Time Is Different: Eight Centuries of Financial Folly, Princeton University Press, 2009. A very readable explanation of financial crises throughout history.
9. R. Rajan, Fault Lines: How Hidden Fractures Still Threaten the World Economy, Princeton University Press, 2010. An original look at the reasons which led to the 2008 crisis, and the current state of the global economy.

10. B. Eichengreen, Globalizing Capital: A History of the International Monetary System (2<sup>nd</sup> Ed.), Princeton University Press, 2008. A very good and very well-written history of international capital markets.

#### Web Sites

Feenstra-Taylor text site:

[http://bcs.worthpublishers.com/feenstrataylor2\\_intltrade/default.asp#t\\_640569](http://bcs.worthpublishers.com/feenstrataylor2_intltrade/default.asp#t_640569)

This site has many suggestions for applications of the analyses and links to other sites with opinion and data.

WTO: [www.wto.org](http://www.wto.org) vast amount of information about the WTO and its dispute settlement processes. (How secretive is this organization?)

Trade negotiations web page:

<http://www.cid.harvard.edu/cidtrade> lots of news and opinion on a wide range of trade negotiation issues.

USTR reports: <http://www.ustr.gov/reports/index.html>. USTR is the negotiation arm of US trade policy making; these are its briefs for disputes.

The Economist: [www.economist.com](http://www.economist.com). Lots of their excellent current stories and opinion are free.

World Bank's World Development Report: <http://wdronline.worldbank.org/>

Deardorff's Glossary of International Economics terms: <http://www-personal.umich.edu/~alandear/glossary/>

The Financial Times: [www.ft.com](http://www.ft.com). They are especially strong on international finance topics, with frequently excellent reporting and analysis.

International Monetary Fund: [www.imf.org](http://www.imf.org). This is the premier internet source for international macroeconomic data. Their annual World Economic Outlook is very widely read.

## **First Half Course Outline (International Trade and Policy)**

### Background and Outline

FT ch. 1, Irwin ch. 1

#### I. Trade Patterns, Size and Trade Costs

Notes ([www2.bc.edu/~anderson/GravityNotes.pdf](http://www2.bc.edu/~anderson/GravityNotes.pdf))

Extra: J. Anderson and E. van Wincoop, "Trade Costs", *Journal of Economic Literature*, 2004.

Exercises: On LMS

#### II. Determinants of Trade and Factor Returns

##### 1. Technology and Trade: Ricardian Model

FT, ch. 2

Exercises: 1-8

##### 2. Gainers and Losers from Trade: The Specific Factors Model

FT, ch. 3

Exercises: 1-10

Extra: Autor, Dorn and Hanson (2013), "The China Syndrome: Local Labor Market Effects of Import Competition in the United States", *American Economic Review* 2013, 103(6): 2121–2168

##### 3. Factor Endowment Proportions and Trade: the Heckscher-Ohlin Model

FT, ch. 4

Exercises: 1-6

##### 4. Factor Movements

FT, ch. 5

Exercises: 1-8

##### 5. Economies of Scale and Monopolistic Competition

FT, ch. 6

Notes on LMS

Exercises: 1-4,8,9

##### 6. Trade Policies

FT, ch. 7

Exercises: 1-11

##### 7. International Agreements

FT, ch. 9

Notes ([www2.bc.edu/~anderson/Institutions.pdf](http://www2.bc.edu/~anderson/Institutions.pdf))

Exercises:

## **Second Half Course Outline (International Macroeconomics and Finance)**

### **I. Exchange Rates in the Short and Long Run**

#### **1. Introduction to Exchange Rates and the Foreign Exchange Market**

FT, ch. 10

Exercises: 1,3,6,7.

#### **2. Exchange Rates as Trade Policy**

Notes and slides

#### **3. The Money Market: Exchange Rates in the Long Run**

FT, ch. 11

Exercises: 3,5,7,8,9.

#### **4. A Complete Theory of Exchange Rates**

FT, ch. 12

Exercises: 2,4,5,6.

### **II. International Capital Markets and Policy in the Open Economy**

#### **5. National Accounts and Capital Markets in the Open Economy**

FT, ch. 13

Exercises: 3,4,8,9.

#### **6. Fiscal and Monetary Policy in the Open Economy**

FT, ch. 14

Exercises: 2,3,5,6.

### **III. Currency Regimes and Coordination Crises**

#### **7. The Euro**

FT, ch. 16