

BOSTON COLLEGE
Department of Economics

EC 2207 Global Economy
Fall 2018

(subject to change, at the discretion of the instructor)

Please note that if you e-mail/ask me any questions that are already answered in this syllabus, you will lose participation points. PLEASE READ IT!



Instructor: Prof. Can Erbil

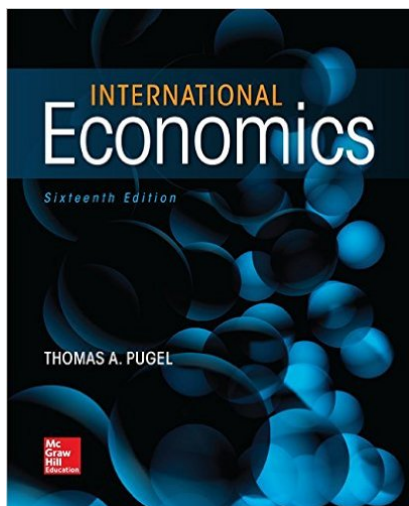
E-mail: can.erbil@bc.edu

Office: 21 Campanella Way, Maloney Hall 381

Office Hours: Tuesdays 9-10am and 12-1pm

Scheduled Class Time and Location: T, Th 3:00pm-4:15pm, and 4:30pm-5:45pm
Campion 303

Required Course Materials:



Text: Pugel, Thomas A.,
Series: McGraw-Hill Series in Economics
Hardcover: 800 pages
Publisher: McGraw-Hill Education; 16th edition
(January 16, 2015)
ISBN-10: 0078021774
ISBN-13: 978-0078021770

Additional Readings:

Other handouts will be posted on the website or distributed in class.

You are also encouraged to keep up with international economic news by reading The New York Times, The Economist, the Financial Times, or listening to National Public Radio or the BBC World Service.



Course Description and Objectives:

This course aims to deepen your understanding of real world economic issues, while providing you with a stronger analytical base.

We will focus on international trade theory and policy, and issues in international finance, including but not limited to the determinants of exchange rates and financial crises.

The course aims to emphasize applications and interdisciplinary connections over pure theory. Student participation will be required. Some real-life case studies will be used and you will be asked to present in class on a selected article related to recent developments in the global economy.

We will examine the causes and effects of the international flows of goods, services, labor and capital. We will also look at the effects of government policies toward those flows, and at the institutions that governments have established to regulate international trade and finance (e.g., the World Trade Organization, the International Monetary Fund, and the World Bank).

We will deal with both the microeconomic and macroeconomic effects of international transactions. In the microeconomic portion of this course, we will present a number of economic models of international trade in goods. We will use these models to predict the effects of free trade, as well as the effects of various government interventions that would either reduce (e.g., tariffs, quotas) or increase (e.g., export subsidies) the volume of trade. We will also discuss the causes and effects of international flows of capital (multinational corporations).

The macroeconomic part of the course (which we may omit, depending on time constraints), covers balance of payments accounts, and the factors that affect the exchange rate, both in the short-run and in the long-run. It also talks about the effects of international lending and recent financial crises associated with such lending.

The course will focus on the microeconomic part since the macroeconomic effects are covered in many other elective courses.

Learning objectives and outcomes:

The main objective of this course is to gain intuition for how to think about an international economic problem. In particular, the class will enhance your understanding of the essential vocabulary, analytical tools, theoretical principles, practical applications, and economic policy implications of both international trade and international finance. The expected learning outcome will be the ability to apply concepts, intuition, and theories from class to broader questions about international economics and economics more generally.

This course has four broad goals:

- (1) The first goal is that students will come out of this course better able to apply economic principles to evaluate international news and policy proposals (e.g., tariffs, free trade areas).
- (2) At the end of the semester, students will be able to discuss some of the economic features of globalization as well as identify and counter some of the misperceptions about globalization found in the media and elsewhere.
- (3) Students will become familiar with the institutions of the international economy. This includes international arrangements such as a common market and the most favored nation (MFN) principle as well as international organizations such as the World Trade Organization (WTO) and International Monetary Fund (IMF).
- (4) For those students who choose to take further economics courses, that this course will prepare them with the theoretical tools and knowledge to be successful.

There are also a number of more specific goals. What follows is a partial list.

- (1) Students will be able to use the supply and demand model to examine the effects of opening trade between countries, the effects of new trade barriers or subsidies, and their implications for the welfare of producers and consumers in each country.
- (2) Students will understand comparative advantage, its implications for international trade patterns, and the impact trade has on factor payments in the countries involved.
- (3) Students will understand the effects of international factor flows on the source and host countries.

The total amount of reading in this course is modest, but the prudent student will read it *several* times. I highly recommend that you read the material we covered in class *afterwards*. You won't need to read in advance of the lectures. In addition to the chapters in the textbook, I will look (and so should you!) for relevant material in newspapers and magazines, and I will often post articles of interest to you (on our Canvas site). If you see something related to one of our topics, send it to me, and I may pass it on to your classmates. The course material is cumulative, with each topic building on prior ones, so missing classes and falling behind are particularly bad ideas.

Even though this is a large (50 students) lecture course, I will encourage *discussion in class* by asking you questions, which I urge you to think about and answer. I also encourage you to *ask questions in class*, especially when you are confused. If you are confused, so are many of your classmates. Do us all a favor, and speak up! I cannot take all the questions (especially if they are coming from the same student(s)) but I will do my best to keep it as interactive as it can get in a class of 50.

I urge you to *study* this material *together*. You can learn as much from each other as you can from the textbook or from class.

Information Dissemination:

In Econ2207 we will maintain a course website on *Canvas*.

Please check the website frequently as the additional problem sets, answer keys, notes, announcements and more will be posted there (as .pdf) and will be available for you to download/access.

The best way to reach me is via e-mail (can.erbil@bc.edu). I do my best to answer my e-mails within 48 hours. Since I have 426 students this semester, my e-mail responses will be rather short, in many cases just keywords (like “no” or “read the syllabus” or “drink more coffee”, etc...). Please don’t mix up the brevity of my e-mails with “shortness”. It is the only way I can keep up with correspondence.

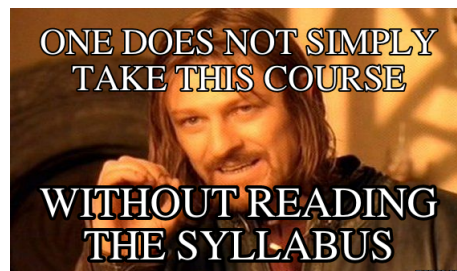
Please note that if you e-mail/ask me any questions that are already answered in this syllabus, you will lose participation points.

If you cannot make my scheduled office hours, and would like to set up an appointment to see me outside of my office hours, please *send me your academic schedule (courses you are taking, their meeting times, name of your professors, and classroom locations)* and I will try to find time for you. Please don’t include anything else (like hair appointments) to your schedule other than your *academic commitments*.

Optimizing Your Performance:

Here are some suggestions that may help you to have the best chance to do well in our class:

- 1) *Attend the lecture*. The purpose of the course is to teach you something, not to toss out information and see how much sinks in.
- 2) Do the *assigned readings* before class to get a preview of the material to be covered and to prepare any questions you have about this material. Study the material, don’t just read it.
- 3) Check our *course website* regularly. I will update it weekly to indicate our progress on the outline.
- 4) Take the *problem sets* seriously, because they are the best indication of whether you understand the material and they are the best preparation for the exams.
- 5) When preparing for exams, let the *lectures* guide you as to what is really important.



Grading:

Approximate weights for your **final grade** will be:

<i>Attendance & Class Participation:</i>	<i>15%</i>
<i>Short Write-up / News Analysis Assignments (x5)</i>	<i>25%</i>
<i>In-class Exam</i> [TBA]	<i>25%</i>
<i>Policy Analysis/Case Study (take-home final exam):</i>	<i>25%</i>
<i>Group Presentation:</i> [TBA]	<i>10%</i>

I will determine your **letter grades** at the very end of the semester, after our final exam. Until then, there won't be any assessment with letter grades. You will be provided information on the mean, median and the spread (distribution) of the scores of each exam, so you will know your own relative standing. Please do **NOT** ask me where you stand with respect to any letter grade. The below distribution should give you an idea.

Although it is my wish that all of my students score perfectly on each assignment and all achieve straight "A"s, it rarely (well, never) happens. ***The typical grade distribution in an economics class is as follows: upper 30% "A range", lower 30% "C and below", mid 40% "B range"***. Please adjust your grading expectations accordingly not to get disappointed later in the semester.

The chapters covered on each exam will be announced in class in advance. In addition to the material in the textbook, the exams may include any topics covered in class and in the problem sets.

If you have to miss a midterm, please contact me as soon as you know it. I will have to ***report it your Dean*** and will work through the ***formal procedure to grant you an excused absence***.

Please note that there will be **NO make-up exams**; if you miss an exam (with an excused absence), the weight of your *subsequent* exams will be adjusted proportionately. There are no exceptions to this rule. This is why we have two midterm exams instead of just one.

Please Note: I will not give any "extra-credit" assignments. The grades will be computed entirely from the scores obtained in the term paper, exams, quizzes, presentation, class participation and problem sets.

Short Write-up / News Analysis Assignments (5% each, total of 25%):

These will be very short (1-2 pages, 1.5 space, font size 12) assignments connecting what we covered in class to the current news. Students will pick an interesting, up-to-date (1 week old or more recent) article, summarize it in one paragraph and connect it to the discussion or formal analysis we covered in class. Max one submission per week, and total of 5 submissions per student (no "redo"s or extra assignments). Each assignment will be graded based on:

- how interesting, original and recent the news article is

- how relevant the connection to class material is
- how well the analysis is written
- how well is the analysis grounded with data, graphs, equations, etc...

Policy Analysis/Case Study (25%):

The policy analysis assignment will be due on the last week of the course. This assignment will allow you to chose a current event and analyze it with the tools and models we developed in class during the semester.

It is a *short analysis* (4-5 pages, 1.5 space, font size 12) with a focus *global economy*. It will mimic our group presentations, but this time it is solo. You can pick any topic we covered in class.

- i) Please find a recent article related to “Global Economy”

[The choice of your source (your article) is very important. It has to be directly related to what we covered in class and macro theory. Investment, stock market analysis, financial analysis pieces, op-eds or blogs from financial market analysts are not good choices. Going over sources like the Economist, WSJ, New York Times, FT, etc... will give you many options.]

- ii) Connect it to the *material we covered in class*, using equations, graphs and our models.

[This is the most important task, along with the choice of your source. These two will shape your grade. Definitely include at least one graphical analysis.]

- iii) Put your draft presentation together in a short analysis format (4-5 pages, 1.5 space, font size 12) - similar to the articles you used in your group presentation.

Group Presentation (10%):

Groups will consist of five students each. I will assign a different topic to each group during the semester. Each group will have one week to prepare a brief presentation before the class. Presentations will be in power point or a similar media format. Each presentation will be 10-15 minutes max (2-3 minutes per student).

Below is a *guideline for presenters*:

- 1) Please find *an article* related to global economy – the particular topic you are assigned to.

[The choice of your source (your article) is very important. It has to be directly related to what we covered in class and global economy.

Investment, stock market analysis, financial analysis pieces, op-eds or blogs from financial market analysts are *not good choices*. Sources like the Economist, WSJ, New York Times, FT, etc... will give you many options.]

2) Try to **connect it to the material we covered in class**, preferably using *equations, graphs and our models*.

[This is the most important task, along with the choice of your source. These two will shape your grade.]

3) Put your **draft presentation together in a PPT format** (10-15 slides max).

4) Please make sure to **practice together at least once** before presenting in front of the class - the group will get a grade only as good as the weakest member, so please help each other to make this right. You can start communicating via e-mail.

5) I expect the presentation to be **smooth, quick and clear**.

This is only 1-2 minutes (1-2 slides) per person, I am sure you can put together an excellent presentation.

Below is a **guideline for graders**:

1) **Everybody** who is not part of the presenting group will be **grading** [1-10, 1 lowest, 10 highest grade]

2) For each presentation, I want you to submit these grades (via e-mail, to me, by the end of the presentation day):

i) The **choice of article** (interesting, relevant, up-to-date, source) [1-10]

ii) How well it was **connected to the class material** [1-10]

iii) **Overall presentation** for the entire group (clear and smooth) [1-10]

3) In addition, you will also **grade each presenter on his or her presentation skills** [1-10] x 5

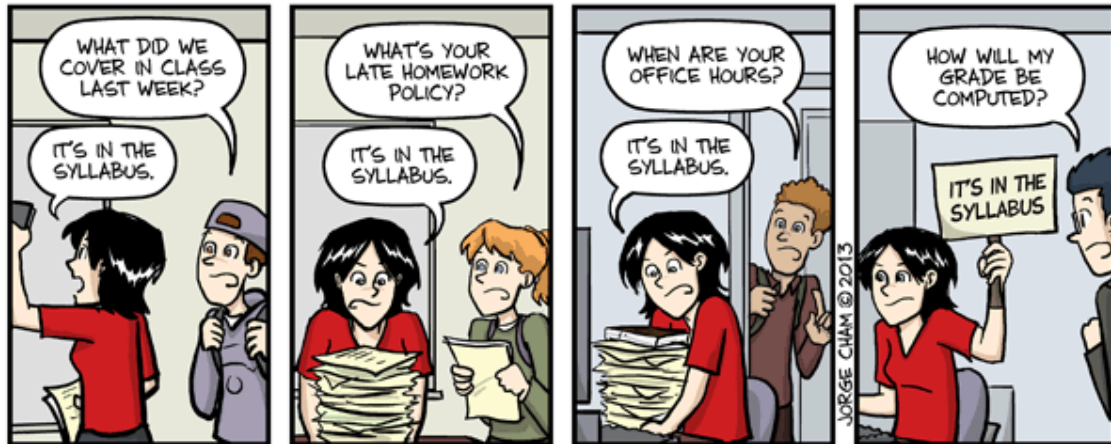
Academic Integrity:

The academic enterprise at Boston College requires **academic integrity**, which in this course means that all your work on exams is your own. You may work with others in preparation for the problems sets, but the electronic submission should be your own work. Given that the primary goal of the problems sets is to learn the material, doing your own work is also in your own best interest. Any infraction of Boston College's Academic Integrity Policy (available online at <http://www.bc.edu/offices/stserv/academic/resources/policy.html> - integrity) will result in an automatic *F* for the course and the offense will be reported to the Dean's office and then reviewed by the College of Arts and Sciences Academic Integrity Committee. There will be no exceptions.

Other consequences can be even more serious. I urge you to review university policy and procedures, available in the Boston College Catalog or online under <academic integrity> at <http://www.bc.edu/integrity>

Disability Services:

Boston College is committed to providing equal and integrated access for students with disabilities to all available academic, social, and recreational programs and activities. The Disability Services Office at Boston College ensures that students with disabilities receive appropriate accommodations and assistance in order to participate fully in University programs. Students requiring assistance are advised to get in touch with the Office of the Dean for Student Development (on the web at <http://www.bc.edu/offices/odsd/disabilityservices.html>). Please make sure to hand me your letter from the ODSO if you are entitled for additional time or other accommodation.



IT'S IN THE SYLLABUS

This message brought to you by every instructor that ever lived.

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If you have any other questions, please consult with me.

Tentative Course Outline:

(Subject to change, at the discretion of the instructor)

- Class introduction and rules
- Chapter 1: International Economics Is Different
- **Part I: The Theory of International Trade**
- Chapter 2: The Basic Theory Using Demand and Supply
- Chapter 3: Why Everybody Trades: Comparative Advantage
- Chapter 4: Trade: Factor Availability and Factor Proportions Are Key
- Chapter 5: Who Gains and Who Loses from Trade?
- Chapter 6: Scale Economies, Imperfect Competition, and Trade
- Chapter 7: Growth and Trade

Part II: Trade Policy

- Chapter 8: Analysis of a Tariff
- Chapter 9: Nontariff Barriers to Imports
- Chapter 10: Arguments For and Against Protection
- Chapter 11: Pushing Exports
- Chapter 12: Trade Blocs and Trade Blocks
- Chapter 13: Trade and the Environment
- Chapter 14: Trade Policies for Developing Countries
- Chapter 15: Multinationals and Migration: International Factor Movements

Part III: Understanding Foreign Exchange (optional)

- Chapter 16: Payments Among Nations
- Chapter 17: The Foreign Exchange Market
- Chapter 19: What Determines Exchange Rates?
- Chapter 20: Government Policies Toward the Foreign Exchange Market
- Chapter 21: International Lending and Financial Crises



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