



**BUSINESS SCHOOL**

## **Course Outline 2017**

### **ECON 241: INTERNATIONAL ECONOMICS (15 POINTS) Semester 1 (1173)**

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#### **Course Prescription**

An introduction to major issues in international trade and finance as well as the conceptual frameworks for understanding these issues.

Topics include: theories of international trade, trade policy and its political economy, multilateral and regional trade agreements, multinationals and FDI, international financial markets and capital mobility, exchange rate regimes, macroeconomic stabilization policies in the open-economy setting.

#### **Programme and Course Advice**

Prerequisite: ECON 101 or ECON 191, and ECON 111.

This course is one of the prerequisites for ECON342 and ECON343. For students majoring in economics, this course is elective at stage 2. For students majoring in other subjects, or with a specialisation in International Economics, this course helps gain entry into ECON 341 and ECON 352.

#### **Goals of the Course**

This course serves as a stand-alone course for those interested in understanding the issues in international finance and trade. It helps gain entry to theoretical and applied courses in each field at higher levels of study.

#### **Learning Outcomes**

By the end of the part "international trade", students should understand

1. the principle of comparative advantage and how trade may benefit all countries involved, and under what conditions;
2. how labor and capital affect trade as well as the welfare effects of trade;
3. the major instruments of trade policy such as tariffs and subsidies as well as how to analyze their economic effects;
4. the trade issues at stake in the current WTO and regional trade negotiations, with a special focus on New Zealand's trade interests and Asia-Pacific economy.

By the end of the part "international finance", students should understand

5. the balance of payments accounting;
6. international financial markets and exchange rate determination;
7. the policies that governments may use to correct internal and external imbalances;
8. the history and the current challenges of international monetary systems.

## Content Outline and Schedule (Tentative)

This course consists of two parts: international trade and international finance.

### **PART I: International Trade**

- Week 1 Introduction to International Economy and Globalization  
Classical Trade Theories I: the Richardian Model
- Week 2 Classical Trade Theories II: the Heckscher-Ohlin Model  
Trade Patterns of New Zealand vs. Asian Tigers
- Week 3 “New” Trade Theory: Monopolistic Competition and Increasing Returns to Scale, Heterogeneous Firms and Patterns of Trade  
Examples: Intra-Industrial Trade in Europe
- Week 4 Conventional Trade Policies: Tariffs and Nontariff Trade Barriers  
Import-Substituting vs. Export-Oriented Industrialization
- Week 5 Strategic Trade Policies: the Brander–Spencer Model  
Multinationals, FDI, Migration
- Week 6 Trade Liberalization: Multilateral vs. Preferential  
Globalization's Second Unbundling and the Rise of Offshoring  
America's Missing Middle: Is world trade to blame?

### **PART II: International Finance**

- Week 9 Introduction to Balance of Payments  
Foreign Exchange Markets and International Financial Investment
- Week 10 Models of Exchange Rate Determination I:  
Asset Market Approach vs. Monetary Approach
- Week 11 Models of Exchange Rate Determination II:  
Elasticity Approach vs. Absorption Approach
- Week 12 Government Policies: Fixed vs Floating Exchange Rate Regimes  
International Lending and Currency Crises
- Week 13 Open Economy Macro: the Mundell-Fleming Model (IS - LM - FE)  
Impossible Trinity
- Week 14 International Monetary Systems: the Challenges  
Euro and Sovereign Debt Crisis, Global Imbalances and Realignments

## Learning and Teaching

Weekly lectures are scheduled as follows.

- Monday 08:00 AM - 10:00 AM BLT100/106-100
- Wednesday 02:00 PM - 04:00 PM LgeChem/301-G050

Lectures are a core component of this course and students should attend the lectures. They are encouraged to read about current events in the global economy and share their opinions in the classroom discussions during the semester. Four tutorial sessions are scheduled during lectures over the course of the semester, which involve problem solving and provide some practice for tests and exams.

## Teaching Staff

**Dr. Haiping Zhang** email: [haiping.zhang@auckland.ac.nz](mailto:haiping.zhang@auckland.ac.nz) Telephone: 9231152  
Office Hours: Mondays 10:30-12:00 or by appointment. Location: Room OGGB 657

## Learning Resources

- *Required Textbook*: Thomas Pugel, 2016, International Economics, 16th edition, McGraw-Hill
- *Supplementary Textbook*: Paul R. Krugman, Maurice Obstfeld, and Marc Melitz, 2014, International Economics: Theory and Policy, 10th edition, Pearson

The textbooks will be available at the bookstore. A copy will be available on short loan in the General Library. Alternate editions of the book may be used, however, students should be aware that there may be small differences between editions.

Students should check Canvas prior to class for course announcements, lecture slides, and other learning materials.

## Some Useful Links

- A glossary of terms in international economics is available at Alan Deardorff's website <http://www-personal.umich.edu/~alandear/glossary/>
- WTO: <http://www.wto.org> IMF: <http://www.imf.org> OECD: <http://www.oecd.org>
- World Bank: [www.worldbank.org](http://www.worldbank.org) UNCTAD: <http://www.unctad.org>
- World Economic Forum: <https://www.weforum.org/>
- The Economist: <http://www.economist.com/>

## Assessment

- Two Assignments 20%
- Mid-Term Exam (Closed Book) 30%
- Final Exam (Closed Book) 50%.

To pass this course, students must get more than 50% of total mark.

*Plussage does NOT apply.*

Tutorial questions and practice sets provide an indication of the standard required and an opportunity to develop problem-solving skills. Assignments are designed to help understand the material taught in class and in tutorials, which will be available on CANVAS two weeks prior to the due date. Students should submit them to the Business and Economics Student Centre as follows:

Assignment 1	no later than 2.00pm, Monday, 03 April
Assignment 2	no later than 2.00pm, Monday, 29 May

The mid-term exam is scheduled at 14:00–15:30 in the regular class on 12 April.

In the mid-term and final exams, student should demonstrate their problem-solving skills and the understanding of theoretical models as well as their ability to describe and explain their results intuitively.

Learning Outcome	Assignment 1	Assignment 2	Mid-Term Exam	Final Exam
1	X		X	X
2	X		X	X
3	X		X	X
4	X		X	X
5		X		X
6		X		X
7		X		X
8		X		X

## **Course Policies**

Student must ensure that they hand in the Assignment on the due date. No extension will be granted. There will be a severe penalty imposed on any late hand-ins up to a time stipulated by the lecturer. All students enrolled in the class are expected to take the exams on the scheduled dates.

An exception to this rule may be made in the case of a legitimate and pressing need to be excused, such as an illness, bereavement or other emergency, at the discretion of the lecturer. Please contact the lecturer if you experience such a circumstance along with any evidence you might have.

## **Cheating and Plagiarism**

The University of Auckland regards cheating as a serious academic offence. Cheating and copying on tests and exams will not be tolerated. Students are not allowed to copy Assignments from fellow students. Any student caught doing any of the above will face serious penalties.

Plagiarism is a form of cheating. In coursework assignments submitted for marking, plagiarism can occur if you use the work and ideas of others without explicit acknowledgment. Work can be plagiarised from many sources, including books, journal articles, the internet, and other students' assignments. A student's assessed work may be reviewed against electronic source material using computerized detection mechanisms. Upon reasonable request, students may be required to provide an electronic version of their work for computerized review.

The way of avoiding plagiarism is to reference your work properly. If you are in doubt about how to reference properly, ask someone – your lecturers, tutors and the Student Learning Centre are good places to start. Please refer to the following website for further information about academic referencing: [www.cite.auckland.ac.nz/](http://www.cite.auckland.ac.nz/)

The document Guidelines: Conduct of Coursework provides further advice on how to avoid plagiarism. It can be found at: <https://policies.auckland.ac.nz/policies/Policies/policy-display-register/guidelines-for-the-conduct-of-coursework.pdf>

The penalties for plagiarism can be severe, including losing some or all of the marks for the work. Major offences can be sent to the University's Discipline Committee, where further penalties can be imposed.

## **Third Party Assistance with Coursework**

While you are encouraged to improve your coursework writing skills and are permitted to seek assistance from third parties you are advised that there are important limits on the amount and type of assistance that can be given to you in completing your assignments, including group work. Third parties include fellow students, reading groups, friends, parents, SLC tutors, and paid-for professional editing services.

There is a set of guidelines which clearly indicates the type of advice and assistance that can be given. If you are seeking the assistance of any third party you are required to give a copy of the guidelines to the person prior to them helping or assisting you. You are also required to only seek and accept help using a printed version of your work, not an electronic version. You must keep a copy of this printed version and produce it if required. See [www.business.auckland.ac.nz/thirdpartyassistance](http://www.business.auckland.ac.nz/thirdpartyassistance) for the guideline.

## **Inclusive Learning**

Students are urged to discuss privately any impairment-related requirements face-to-face and/or in written form with the course convenor/lecturer and/or tutor.

### **Help with Academic Referencing**

Acknowledgement of sources is an important aspect of academic writing. The University's Referen@ite website [www.cite.auckland.ac.nz](http://www.cite.auckland.ac.nz) provides students with a one-stop online resource for academic referencing needs. Referen@ite explains the essentials of referencing and how to avoid plagiarism. It also includes practical tools to help students reference correctly, use references effectively in writing, and gives fast access to some major reference formats with examples.

### **Student Feedback**

Student feedback is encouraged in this course. During the semester, students may directly submit their feedback to the lecturer, or they may wish to submit feedback through the class representative.

### **Class Representatives**

At the beginning of each semester, you will elect a class representative for the course[1]. The role of the class representative is to gather feedback from students in the course and bring this to the lecturer and/or the Department. Class representatives' email addresses are posted on CANVAS and you are encouraged to contact them with feedback relating to the course. You are also encouraged to talk to the class representatives in person.

### **Staff-Student Consultative Committee**

Class representatives also submit feedback to the Department of Economics Staff Student Consultative Committee (SSCC), which meets up to three times per semester to gain feedback regarding the course. Only class representatives may attend the SSCC meetings, and they will ask the class for feedback before the SSCC meeting.

### **Course and Teaching Evaluations**

At the end of the semester, you could have the opportunity to submit an evaluation of the course in a formative feedback questionnaire.