

Tennessee State University  
College of Business  
Course Syllabus  
Econ 4100: International Economics  
Spring 2013

**Instructor:** Dr. Soumen N. Ghosh,  
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College of Business  
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**Office Hours:** 2.30- 4.00 pm, T/R and by appointment

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**Text:** International Economics, Fifteenth Edition, by Thomas A. Pugel; McGraw Hill

**Purpose of the course:**

The purpose of this course is to develop a basic understanding of the basic principles and use modern International Trade and Finance theory in the area of International Trade and Finance. The core principles are based on the following key concepts: Comparative Advantage, Gains from trade, Specialization; Exchange rate and risks of trading under exchange rate fluctuations. Among other things students will be exposed to various strategic behaviors that countries and various companies from around the world typically use while engaging in international trade and finance. The core principle is based on the microeconomics foundation of international trade. Upon completion of this course students majoring in economics and finance will have some basic understanding of the role of various trade policies and practices around the world and more importantly will learn the role of exchange rate and its importance in the global environment. This is an elective course for economics and finance majors with concentrations in economics, finance or international business.

**Prerequisite:**

Students are expected to have some basic knowledge of algebra, and preferably calculus. It is also expected that students have completed principles of macro and micro economics:

**Course Content/Outline:**

**PART A:**

Topic 1: Chapter 1: A quick Overview

**International Economics is Different**

- Why is it different?
- What are the key elements of International Trade? the Five Core Principles

Assign Collection of data and compare Nominal vs. Real GDP

## Topic 2. Money and the Payment System

- Using Demand and Supply (review)
- Consumer and Producer Surplus
- Two Countries opening up for Trade
- Who Gains more in trade?

Exercise: Problems 7, 8 and 11 from end of Chapter 2

## Topic 3: Why Everybody Trades: Comparative Advantage

- Ricardo's theory of Comparative Advantage
  - Absolute Advantage
  - Focus on Labor

## Topic 4: Factor Availability and Factor Proportions

- Key Concepts
  - Community Indifference Curves
  - The Gains from Trade
    - Trade Affects both Production and Consumption
  - What Determines the trade Pattern?
    - The Heckscher-Ohlin (H-O) Theory

Selective Problems from Exercise – 4.

## Topic 5: Who Gains and Who Loses from Trade?

- Losers and Gainers within a Country
- Three Implications of H-O Theory
- The Factor-Price Equalization Theorem
- Export-Oriented and Import-Competing Factors

## TOPIC 6: GROWTH AND TRADE

Class Presentation Project: A 3-5 page report on a topic chosen by the students will be due and summary findings need to be presented in class

EXAM 1- IN –CLASS WILL BE GIVEN COVERING CHAPTERS 1-5.

### **PART B:** Trade Policies: various protective (tariff and non-tariff practices)

- Chapter 8: Analysis of tariff
  - Assignment on Tariff
- Chapter 9: Nontariff Barriers
- Chapter 10: Arguments for and Against Protection
  - Assignment: Current US policies
- Chapter 13: Trade and Environment

### QUIZ/EXAM # 2

### **PART C:** The Foreign Exchange Market

- Chapter 17: Fixed and Floating Exchange Rate

- Chapter 18: Forward Exchange and International Financial Investment
  - Role of Hedging
  - Interest Parity Theorem
- Chapter 19: Determination of Exchange Rate
  - The Monetary Approach

**Selected Case Study: To be provided**

## **FINAL EXAM/RESEARCH PAPER AND PRESENTATION**

### **Method of Instruction:**

Lecture, class discussions, computer and written assignments

### **Method of Evaluation:**

The final grade will be based on three mid-term exams (25% each) and a term paper/project (25%). There will be 3-4 in-class presentations. The assignments/presentations (all combined) will make up for 25 % of the grade. The grading scale will be: 90-100 = A; 80-89 = B; 70-79 = C etc. The project/term paper will have to be typed, all computer printouts (if any) need to be enclosed.