

PA 5805 – Global Economics

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Fall Semester 2017
Humphrey 30
M, W 4:40-5:55

I. The Purpose and Objectives of the Course:

This course provides an introduction to global economic relations and the economic theory that explains much of them. We will study the underlying determinants of trade in goods, services, and capital among countries along with the policies that states often use to influence such trade. We will also explore the theory and practice of international macroeconomics and policy problems of global financial openness.

II. Grading and Exams

Class attendance is expected in the sense that you are responsible for any material presented there that is not in the textbook. Moreover, because the subject matter is difficult and there is a diverse set of topics, reading for the material to be covered in class should be done ahead of time.

You will be part of a team that will respond in class to questions posed by the instructor. You will also have the opportunity for individual classroom contributions. The combination of these two factors will count for 20 percent of your grade.

There will be two quizzes during the course; each will count for 20 percent of your grade. The dates for the quizzes are listed in the schedule on the syllabus. There will be no make-up of quizzes. The final exam for the course will be on Monday, December 18 from 4:40-6:40pm. This two hour exam will count for 40 percent of your grade. The final exam will be cumulative with somewhat more emphasis on material taught after the second quiz.

Additional Information

Students may ask for reasonable and timely accommodations for religious observances. In compliance with the University of Minnesota policy, appropriate academic accommodations for students with documented disabilities will be provided.

Plagiarism and cheating are absolutely unacceptable and will be pursued to the fullest extent of the University's policies. Violations will result in a failing grade for the class.

II. Required Text:

Dominick Salvatore, *Introduction to International Economics*, Third Edition, Wiley.

Additional short readings may be assigned during the semester and will be posted on the course Moodle site.

PowerPoint decks for the lectures can be downloaded from the Moodle site.

III. Valuable websites

Internet Resources for Economists:

<http://www.oswego.edu/~economic/econweb.htm>

The Economist

<http://www.economist.com/>

Marginal Revolution

<http://marginalrevolution.com/>

The Conscience of a Liberal

<http://krugman.blogs.nytimes.com/>

The Bradford DeLong blog

<http://www.j-bradford-delong.net/>

The Gregory Mankiw blog

<http://gregmankiw.blogspot.com/>

Other sites may be noted during the semester.

IV. Course Outline and Required Reading (other readings may be assigned during the semester)

The following dates are subject to change, although quiz dates will not be changed without class agreement.

Note: Chapter appendices need not be read unless explicitly assigned.

A. The Basic Economics of Global Trade

1. Introduction (September 6)
Salvatore, Chapter 1
2. Comparative Advantage and the Ricardian Model (September 11)
Salvatore, Chapter 2
3. The Standard Trade Model (September 13)
Salvatore, Chapter 3
4. Various Special Trade Theories (September 18, 20)
Salvatore, Chapter 4

Optional Reading:

Bradford DeLong, Review of Richard Baldwin, The Great Convergence in the Bradford DeLong Blog, March 12, 2017

Dani Rodrik, "Is Global Equality the Enemy of National Equality," unpublished, January, 2017.

B. International Commercial Policy and Economic Integration

1. Tariffs (September 25, 27)
Salvatore, Chapter 5
2. Other Trade Measures and the Political Economy of Trade Control (October 2, 4)
Salvatore, Chapter 6
3. Regional Trade Agreements (October 9)
Salvatore, Chapter 7

4. Trade and Economic Development (October 11)
Salvatore, Chapter 8

Optional Reading:

Douglas Irwin, “The Truth About Trade,” Foreign Affairs, July-August, 2016.

Mary Amiti, “Why Renegotiating NAFTA Could Disrupt Supply Chains,”
Peterson Institute for International Economics, April 18, 2016.

Jeffrey Schott, “Understanding the Trans-Pacific Partnership: An Overview,”
Peterson Institute for International Economics, May, 2016.

Quiz 1 – October 16

C. International Capital and Labor Mobility

1. Capital Movements and Multinational Corporations (October 18)
Salvatore, Chapter 9 through page 243
2. Human Migration (October 23)
Salvatore, pp. 244-253

Optional Reading:

Theodore H. Moran, Foreign Direct Investment and Development, Chapter 9.

Sebastian Mallaby, The Politically Incorrect Guide to Ending Poverty, The Atlantic, July, 2010.

Sari Kerr et al, “Global Talent Flows,” NBER Working Paper, October 2016

D. Economics of Global Money and Finance

1. The Balance of Payments (October 25)
Salvatore, Chapter 10
2. Foreign Exchange Markets (October 30, November 1)
Salvatore, Chapter 11

3. Exchange Rate Determination (November 6, 8)
Salvatore, Chapter 12
4. Automatic Adjustment with Flexible and Fixed Exchange Rates (November 13, 15)
Salvatore, Chapter 13

Quiz 2 – November 20

5. Adjustment Policies (November 22, 27, 29, December 4)
Salvatore, Chapter 14

Optional Reading:

Gary Hufbauer and Lucy Lu, “Macroeconomic Forces Underlying Trade Deficits,” Peterson Institute, March 31, 2016

Ben Bernanke, “Germany’s Trade Surplus Is a Problem.” Brookings Institution, April 3, 2015

E. Monetary Systems in Specific Contexts and Over Time

1. National Exchange Rate System Choices (December 6)
Salvatore, Chapter 15
2. The International Monetary System (December 11, 13)
Salvatore, Chapter 16

The Final Examination will take place on Monday, December 18th from 4:40 to 6:40 p.m. in Humphrey 30.