

# COURSE OUTLINE

## ECON-205

### International Economics

3 Semester Hours

## HOWARD COMMUNITY COLLEGE

### Description

International Economics provides the student with the foundations of the theory and practice of international trade and finance necessary for understanding the nature and consequences of linking the domestic economy and the world. Topics covered include: introduction to classical and modern international theories of trade; analysis of the economic effects of commercial policies like tariffs and quotas; economics of custom unions; balance of payments, spot and forward foreign exchange markets and exchange rate systems; balance of payments problems and the adjustment mechanisms; flexible and fixed exchange rate systems; and international monetary systems. Prerequisite: ECON-101 (3 hours weekly)

A liberal education prepares students to lead ethical, productive, and creative lives and to understand how the pursuit of lifelong learning and critical thinking fosters good citizenship. General education courses form the core of a liberal education within the higher education curriculum and provide a coherent intellectual experience for all students by introducing the fundamental concepts and methods of inquiry in the areas of mathematics, the physical and natural sciences, the social sciences, the arts and the humanities, and composition. This course is part of the general education core experience at Howard Community College.

### Overall Course Objectives

Upon completion of this course, the student will be able to:

1. Describe and explain the trend of U.S. international trade and investment since the Second World War.
2. Identify major U.S. exports, imports and trading partners.
3. Identify and evaluate current major international trade and financial initiatives and disputes involving the U.S. and its trading partners.
4. Apply the principle of comparative advantage to understand the direction of flow of products among regions and nations.
5. Evaluate the Ohlin factor proportions and intensity hypothesis of international trade.
6. Understand the Leontiff paradox about the factor intensity of U.S. exports.
7. Explain why a country may manufacture and export a good and import a similar good from abroad.
8. List recent major contributions to international trade theory and evaluate them emphasizing the gap they espouse to fill.
9. Explain the merit of offer curves in international trade.
10. Discuss alternative measures of the terms of trade.
11. Discuss the economic effects of tariffs, quotas and other protective measures.
12. Define the balance of payments, identify the major accounts, distinguish credit and debit transactions, and define balance of payments equilibrium, balance of payments deficit and balance of payments surplus.
13. Describe the spot and forward foreign exchange markets, and explain how they determine the spot and forward exchange rates.
14. Explain the consequences of an appreciated or a depreciated U.S. dollar on the U.S.

- balance of trade, GDP, employment and unemployment, and inflation.
15. Describe the gold standard and explain how it adjusted to international trade deficits and surpluses.
  16. Describe the gold exchange standard and explain how it adjusted to balance of payments problems.
  17. Describe the free floating exchange rate system and how it adjusts to balance of payments problems.
  18. Describe managed exchange rate system and explain how it copes with trade deficits and surplus.
  19. Explain why the exchange rate of the U.S. dollar against the currencies of its major trading partners showed wider fluctuations after 1973.
  20. Identify the major innovation in international banking and finance during the last 30 years, and analyze their implications for production, employment, trade and finance.

### **Major Topics**

1. Introduction to International Economics
2. U.S. International Trade and Finance
3. Classical Trade Theory
4. Modern Trade Theory
5. Recent Contributions to Modern Trade Theory
6. Effects of Tariffs and Nontariff barriers
7. Offer Curves and Terms of Trade
8. Balance of Payments Accounting and Accounts
9. The Spot and Forward Foreign Exchange Markets and Exchange Rate Determination
10. Basic Theories of the Balance of Payments
11. Gross Domestic Product and the Balance of Trade
12. Alternative International Monetary Standards: Gold Standard, Fixed Exchange Rate System, Floating Exchange Rate System and Managed Exchange Rate System
13. International Trade, Growth and Economic Development
14. Recent Innovations in International Banking and Finance

### **Course Requirements**

Grading will be based on two examinations, two critical summaries, assignments, a research paper, and a final examination. Each homework consist of two to three short explanation questions. Each exam will be a combination of objective and essay questions. The papers consist of two critical summaries of articles with significant international economic contents. One critical summary must be in the area of international trade. The other summary must be in the area of international finance. The research paper investigates a problem of interest to the student in the area of international economics. The final examination covers core chapters from all the assigned chapters. These core chapters will announced in class. The weight attached to each work is as follows:

Exam #1	=	150 points
Exam #2	=	150 points
Final Exam	=	200 points
Research Paper	=	200 points
First Critical Summary	=	50 points
Second Critical Summary	=	50 points
Homeworks	=	<u>200 points</u>
Total number of points	=	1000 points

Grades:	90%-100% = A	80%-89% = B	70%-79% = C
	60%-69% = D	Under 60% = F	