1 Course Details:

Instructor: Rehim Kılıç  
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Class times: 6:00pm-9:00pm, Tuesdays and Thursdays  
Class location: MSU Management Education Center (MEC), Room 103, Troy, MI  
Office hours: 5:15pm-6:00pm on Tuesdays and Thursdays in MSU-MEC

2 Course Objective

This is a survey course on international economics. Since it is a survey course we will not be able to cover every topic in international economics. International economics have two major parts, international trade (or international microeconomics) and international finance-macroeconomics. This course will provide the student with an analytical framework for understanding key trade and finance issues in an international environment. Accordingly, the content of the course is designed to cover issues relating to theories of trade, gains and losses from trade, tariffs, determination of exchange rates, operation of international financial markets, international financial market instruments, macroeconomic adjustment under fixed and flexible exchange rates, currency (balance of payments) crises, sovereign debt, European monetary integration, and the role of international lending agencies such as the International Monetary Fund (IMF) and the World Bank.
3 Prerequisites

This course requires that you have taken and passed both microeconomic principles (Econ 201) and macroeconomic principles (Econ 202), or their honors equivalents. You are also expected to be comfortable with algebra and graphical analysis.

4 Text


5 Requirements

- Midterm Exam 1, Tuesday, June 4 2002
- Midterm Exam 2, Tuesday, June 25 2002
- Final Exam (cumulative), Thursday, June 27 2002

Attendance is required. You are responsible for all of the material covered in class, and assigned chapters from the textbook. The lectures will contain some material not included in the textbook and it is essential that you attend all the classes. Exams will be based on material covered in the class as well as readings from the textbook.

I am happy to work with you on material that you do not understand provided that you come to class and do the assigned readings but do not ask for private tutoring sessions for material that you miss because you did not attend class.

6 Assessment

- **Plan A:** If you take both midterm exams, you do not have to take the final. Each midterm will count 50 percent. Even if you do take both midterms, you can still take the final. If you do better on the final than your combined midterm exam scores, I will count only your final.

- **Plan B:** If you take only one of the midterms, you will need to take the final. The midterm and the final will each count for 50 percent, or the final will count for 100 percent—whichever is higher.
• **Plan C:** If you miss both midterm exams you must take the final. The final will count for 100 percent.

• There will be *no makeups for missed midterm exams.*

• I will hand out a study guide one class prior to each midterm exam.

7 **Course Schedule**

The following schedule lists the approximately the topics that I plan to cover during this semester. I reserve the right to make any changes (add new sections or remove some sections) depending on the pace of the lectures.

**Part I: Topics in International Trade Theory**

• Introduction to International Economics; international comparisons, the reasons for international trade. *Read text chapter 1.*

• Models of international trade: Some concepts, and tools. *Read text chapter 2.*

• The classical (Ricardian) model of international trade: absolute advantage, comparative advantage. *Read text chapter 3.*

• The Heckscher-Ohlin Theory and empirical tests of the theory, the Leontief Paradox. *Read text chapter 4, and pages 121–125 of chapter 5.*

• Trade Policy: tariffs. *Read text chapter 6.*

**Part II. Topics in International Finance**

• Introduction to international finance. National income accounts for the open economy and the balance of payments *Read text chapters 11 and 12.*

• The foreign exchange market, currency futures and options. *Read text chapter 13.*

• Purchasing power parity. *Read text chapter 14.*

• Interest parity conditions. *Read text chapter 15.*

• Foreign exchange risk, forecasting, and international investment. *Read text chapter 16.*

• Exchange rate theories: news, exchange rate overshooting. *Read text chapter 18.*

• Exchange rate arrangements. *Read text chapter 19.*