COURSE GOALS
The objective of this course is to provide future decision-makers with a systematic understanding of critical aspects of the international business environment, especially the roles of international trade, finance and investment. We also examine how the forces of globalization affect international business (and your future careers) as well as the challenges of economic development.

COURSE STRUCTURE
The course is divided into three main sections or modules:

I. The first module looks at the economics of international trade in goods and services. International trade is a key driver of global integration. We examine the role of comparative advantage as a determinant of the location of production and compare it to other theories of trade. We look at how trade creates economic winners and losers, government policies with respect to trade, and the impact of those policies. Lastly, we examine whether trade, by creating a race to the bottom effect, is harming the environment.

Students should be able to answer/understand the following questions/concepts:
- What are the economic advantages of trade? (Why do states specialize economically?)
- What are the economic effects and distributive consequences of trade, especially for workers?
- What are the economic arguments for intra-industry trade?
- What are the effects of tariffs and non-tariff barriers to trade?
- What are the economic arguments for and against protectionism?
- What are the political causes of protectionism?
- Does free trade/globalization hurt the environment?

II. The second part of the course surveys the role of money and finance in the world today. Specifically, we examine the role of foreign exchange in global finance. We show how the foreign exchange market can be used to hedge risk or to speculate and we develop some key principles of international financial investment. We explore what factors affect the value of currencies. We also examine the role of government policies toward the foreign exchange market, including the choice between fixed and floating exchange rates, strategies to keep currencies under or overvalued, and the use of exchange controls to create impediments to currency flows.

Students should be able to answer/understand the following questions/concepts:
- How do individuals, firms and states buy and sell currencies?
- What are the spot and forward exchange rates? (What are options, swaps and forwards?)
- What determines the value of currencies in the short run?
- What determines the value of currencies in the long run? What is PPP?
- What choices do states have in setting their currencies? What tools do they employ?
- What are the trade-offs states face between managing their currencies and domestic economy?
III. The final part of the course examines recent trends in globalization and the role of foreign direct investment. Students will also examine the problems of development and the role firms can play in fostering growth. This is both an ethical issue facing business (How can firms assist states?) as well as a practical one as developing markets are likely to be a key source of future growth (How can firms succeed in these markets?). This is also the applications part of the course, where students will complete a group project that applies the concepts learned in the course to a country you will be visiting as part of ISP in the spring. Students will also debate the challenges of globalization.

Students should be able to answer/understand the following questions/concepts:
- What drives the price oil, why is it so variable and what does OPEC teach us about cartels?
- What different strategies for development have states pursued?
- What role do multinational corporations and foreign direct investment play?
- What is globalization? How do current trends alter business today and your future career?
- How have government-business relationships changed due to globalization? What is the race to the bottom? Does it exist? Is globalization undermining the wages of workers?

In short, the course provides a survey of big-picture global issues. It also serves as the base for the International Studies Project course. In addition, C30.0011 is a prerequisite for several IB elective courses, including International Business Management, International Financial Management, and International Marketing Management.

**COURSE MATERIALS**


Other readings will also be posted on blackboard or with links for download from the library.

**TEACHING PHILOSOPHY**

The course has two objectives. 1. The first objective is to teach you many of the fundamental concepts, theories and tools of international economics. Some of the information imparted will be quite specific and exams will test your ability to solve them as the problem sets at the end of the chapters of the textbook demonstrate. However, the true value of the course is in its ability to teach you fundamental concepts about international economics that you can put to use in your future careers. While exams will feature some problems similar to those found in class and in the text, they will also test your ability to explain, defend or criticize theories or concepts. You will find also that many international economic issues are subject to simplification, distortion or misunderstanding in media coverage. As informed observers, this class will equip you with the tools to analyze such issues, dispel myths and make informed decisions.

2. A second and equally important objective is to encourage critical thinking to aid you in your future business careers. Students are expected to dissect many leading debates of the day – Do free trade and offshoring lead to lower wages for workers? Is protectionism economically efficient and if not why do states resort to it? What strategies can countries employ to aid development? How can firms assist states in such endeavors while adding to their profitability? Business leaders maintain their firms’ positions by applying their analytical reasoning skills to daily as well as strategic challenges. They are able to question conventional wisdoms other executives take for granted or apply common sense analysis to otherwise intractable problems. Even if students may not use all of the specific tools learned in this or other classes they take as part of their Stern education, the critical thinking skills imparted can last a lifetime.
Students are expected to have done the readings prior to class. Before or after lectures, students can test themselves based on the problems at the end of the chapters or those used in the class. In some cases, class discussions will follow readings closely. In others, they will not. While solving these problems is a good test of your preparedness, please note that understanding the fundamental concepts is more important. Again, exams will contain a mixture of problem sets as well as essays and short answer questions discussing larger theoretical issues introduced in class. There will be short reviews and/or review sheets in class prior to each exam. I don’t believe in surprises and try to communicate in advance what are the exact expectations for students on the exams.

There will be periodic handouts in class of interesting articles dealing with issues relevant to the course. It is also recommended that you keep up with current developments in the international business environment, both for class purposes and for your own benefit. You can do this by reading the relevant articles in a good newspaper (e.g., Financial Times, Wall Street Journal, New York Times) or weekly magazine (e.g., the Economist). You are encouraged to bring up current events for discussion in class.

COURSEWORK AND GRADING

The course is designed to be challenging and stimulating without assuming a prior background in the field. Distribution of grades will be roughly as follows: 30% A grades, 50-55% B grades, 15-20% C grades. The actual distribution of grades varies somewhat by class, but this should serve as a good guide.

The course grade will be based on the following items:

- First Quiz: 25%
- Second Quiz: 25%
- Final Exam: 30%
- Country Report: 15%
- Participation/Attendance: 5%

The coverage and dates for the quizzes are:
- First Quiz: Covers Part One, THURSDAY, October 5th
- Second Quiz: Covers Part Two, TUESDAY, November 7th
- Final Exam: Covers Part Three, FRIDAY, December 15th (2 PM – 3:50 PM)
- Country Analysis (completed in groups of 3-4 students): DUE DATE: DECEMBER 5th

PARTICIPATION/ATTENDANCE

Students are expected to come to class prepared to discuss assigned topics and current issues of the day. Student participation (5% of the final grade) will be graded based on attendance and class discussion. Rather than marking students down, students that are active participants can receive extra points. Student that attends class regularly and participate receive the full credit. Students should have no more than two unexcused absences may lose points. I have a generous policy for absences when I am informed in advance, especially for interviews or other important obligations. (In terms of your own value, there are 28 class meetings. Taking away quizzes and the introduction, that leaves 25 class meetings. So every absence is 4% of the course!) Participation in group projects is part of your country report grade.
PART ONE: INTERNATIONAL TRADE IN GOODS AND SERVICES

Class 1 / Sept 5th

Introduction – A Global World / HANDOUT OF SYLLABUS / OVERVIEW
Required Reading: Ch. 1 from TP. pp. 1-12.
Reference: Ch. 2 from TP (Supply-demand basics, interpreting trade graphs)

Class 2 / Sept 7th

The Rationale for Trade – Comparative Advantage
Required Reading: Ch 3 from TP. pp. 31-46.
Pietro, pp. 3-24 (“Reinsch Cotton Farm/History”).

Class 3 / Sept 12th

The Rationale for Trade – Comparative Advantage
Required Reading: Ch 4 from TP. pp. 47-64.
Pietro, pp. 24-57 (“Back at Reinsch Farm”).

Class 4 / Sept 14th

The Effects of Trade – Winners and Losers
Required Reading: Ch 5 from TP. pp. 65-86.
Pietro, pp. 61-85 (“Cotton Comes to China”).

Class 5 / Sept 19th

Newer Theories of Trade
Required Reading: Ch 6 from TP. pp. 87-108.

Class 6 / Sept 21st

Competitive vs. Comparative Advantage – Sources of Intra-Industry Trade?
Required Reading: Michael E. Porter, “The Comparative Advantages of Nations,”

Class 7 / Sept 26th

Trade Policy: Tariffs
Required Reading: Ch 8 from TP. pp. 129-146.

Class 8 / Sept 28th

Trade Policy: Non-Tariff Barriers
Required Reading: Ch 9 from TP. pp. 147-178.
Pietro, pp. 139-156 (“Perverse Effects and Unintended Consequences”).

Class 9 / Oct 3rd

Arguments For and Against Protectionism
Required Reading: Ch 10 from TP. pp. 179-208.
Pietro, pp. 157-172 (“40 years of Temporary Protectionism”).

Class 10 / Oct 5th

FIRST QUIZ
Dumping and Export Subsidies
*Required Reading*: Ch 11 from TP. pp. 209-238.

**PART TWO: FOREIGN EXCHANGE & INTERNATIONAL FINANCIAL MARKETS**

Class 12 / Oct 12th  
**The Foreign Exchange Market**  
*Required Reading*: Ch 17 from TP. pp. 375-390.

Class 13 / Oct 17th  
**Foreign Exchange and Investment I (Futures, Options and Swaps)**  
*Required Reading*: Ch 18 from TP. pp. 391-416.

Class 14 / Oct 19th  
**Foreign Exchange and Investment II**  
*Required Reading*: Ch. 16 from TP. pp. 357–374.  
(Note: We will only briefly discuss balance of payments in class.)

Class 15 / Oct 24th  
**The Determination of Exchange Rates and Purchasing Power Parity**  
*Required Reading*: Ch 19 from TP. pp. 417-448.

Class 16 / Oct 26th  
**Exchange Rate Policy Options I**  
*Required Reading*: Ch 20 from TP. pp. 449-483.

Class 17 / Oct 31st  
Happy Halloween 😊

**Exchange Rate Policy Options II**  
*Required Reading*: Ch 25 from TP. pp. 605-632 (also Manage the Float, pp. 597-9).  
*Optional/Further reading*: Ch 23 (Fixed exchange rates), Ch 24 (Floating systems)

Class 18 / Nov 2nd  
**Financial Crises**  
*Required Reading*: Ch 21 from TP. pp. 485-516 (also Euro-Crisis, pp. 566-8).

Class 19 / Nov 7th  
**SECOND QUIZ**
PART THREE: OIL, DEVELOPMENT, MNCS, FDI AND GLOBALIZATION

Class 20 / Nov 9th

The Political Economy of Oil (and the Mexican Debt Crisis)
Required Reading: Energy Information Administration, Primer on Gasoline Prices and Where Does My Oil Come From?
Energy Bulletin, Primer on Peak Oil

Mini Case Study: OPEC Case

Class 21 / Nov 14th

The Challenge of Development
Required Reading: Ch 14 from TP. pp. 295-318.

Class 22 / Nov 16th

The Challenge of Development II
Paul Krugman, Foreign Affairs, “The Myth of Asia’s Miracle,”
November/December 1994

Class 23 / Nov 21st

FDI, Multinational Corporations and Migration
Required Reading: Ch 15 from TP, pp. 319-353.

Class 24 / Nov 28th

Globalization – A New, Flat World?

Globalization Debate – Price Equalization
What is behind the decline in low skill wages?

Class 25 / Nov 30th

Globalization and the Environment
Required Reading: Ch 13 from TP. pp. 263-294.

Class 26 / Dec 5th

GROUP ASSIGNMENT DUE!
Class Presentations

Class 27 / Dec 7th

Class Presentations

Class 28 / Dec 12th

Class Presentations / Semester Wrap-Up

DEC 15 (FRIDAY) FINAL EXAM / FROM 2 PM – 3:50 PM

Good Luck ☺