NEW YORK UNIVERSITY
Stern School of Business

C30.0011 Economics of Global Business (EGB) Spring 2008

Preliminary Draft – subject to revision

Note—I will probably add an additional book (Thomas Friedman, The World is Flat) with a class session devoted to discussion of the book. Also, the timing of mid-term exams and the grouping of lectures into three segments is subject to revision.

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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. We will examine the forces driving toward globalization—the integration of national business activities into globally competitive markets—and the obstacles that remain.

COURSE STRUCTURE
The course is divided into three segments.

The first segment looks at the economics of international trade in goods and services. International trade is a key driver of global integration. We will examine the role of comparative advantage as a determinant of the location of production. We will also examine the reasons for and effects of government policies that create impediments to international trade.

The second segment of the course surveys the role of money and finance in global economic activity. We examine the role of exchange rates as key prices in global finance. We show how the foreign exchange market can be used by hedgers and by speculators, and we develop some key principles of international financial investment. We also examine the role of government policies toward the foreign exchange market, including the choice between fixed and floating exchange rates, and the use of exchange controls to create impediments to currency exchanges.
The final part of the course examines a variety of other aspects of international economic interaction: migration, foreign direct investment, and the international institutions that deal with trade and financial issues.

The course provides a survey of big-picture global economic issues. It also serves as the base for the International Studies Project course. Since this is the spring section of EGB, I presume that you are taking the ISP course simultaneously. In addition, this course is a prerequisite for several IB elective courses, including International Business Management, International Financial Management, and International Marketing Management.

The prerequisites for the course are A31.0001 Principles of Macroeconomics and A31.0002 Principles of Microeconomics, or the equivalent.

**COURSE MATERIALS**

Required textbook:


I am told that an online [and cheaper] version of the reading package is available for download from the McGraw-Hill website. To get this version of the textbook the following instructions should work:

- Go to: [www.ebookstore.mhhe.com](http://www.ebookstore.mhhe.com)
- Select Custom E-Books
- Select the Country: USA
- Select the State: NY
- Select the School: New York University
- Select the Course: Economics of Global Business
- Follow the purchasing information
- I recommend DOWNLOADING the whole packet all at once.

**TEACHING PHILOSOPHY**

The textbook for this course is very thorough, and serves as the primary source of what you will learn. The lectures will reinforce and extend some of the material in the textbook, and provide some supplemental material. You are responsible, however, for understanding all of the assigned reading in the book. In order for you to understand the lectures it is very important that you read the assigned reading for the day *before* coming to class. You will not be required to turn in answers to the problem sets at the end of each chapter, but I strongly recommend that you go through some of the problems since they are similar to what you will face on the exams (and answers to the odd-numbered problems are available at the back of the book).

Although this is primarily a lecture course, I am hopeful that we can have some class discussion. Many of the issues in this course have been highly controversial—“unfair” trade policies, outsourcing, and the actions of the International Monetary Fund, just to name a few. This
spring-semester section of EGB should have fewer students than the fall sections, which should facilitate our discussion of such issues. The lectures and textbook provide you with analytical tools to approach such questions, but I highly recommend that you regularly read articles on international trade and finance 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.

TEACHING ASSISTANTS

TBA

GRADING

The course grade will be based on the following items:

<table>
<thead>
<tr>
<th>Item</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>First mid-term examination</td>
<td>28%</td>
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<tr>
<td>Second mid-term examination</td>
<td>28%</td>
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<tr>
<td>Final examination</td>
<td>38%</td>
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<tr>
<td>Participation</td>
<td>6%</td>
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The coverage and dates for exams are:

- First mid-term: Covers Part One, date TBA
- Second mid-term: Covers Part Two, date TBA
- Final Exam: Covers ALL Parts, date TBA
PART ONE: INTERNATIONAL TRADE IN GOODS AND SERVICES

Class 1
Introduction
Required Reading: Ch. 1 AND CH 3 from TP

Class 2
The Rationale for Trade
Required Reading: Ch 3 AND CH 4 from TP

Class 3
The Rationale for Trade
Required Reading: Ch 4 AND CH5 from TP

Class 4
Newer Theories of Trade
Required Reading: Ch 6 from TP

Class 5
Trade Policy: Tariffs
Required Reading: Ch 8 from TP. Skip pages 140-143 and problem #10.

Class 6
Trade Policy: Non-Tariff Barriers
Required Reading: Ch 9 from TP.

Class 7
Analysis of Governmental Trade Policy
Required Reading: Ch 10 from TP.

Class 8
Analysis of Governmental Trade Policy [Cont’d]
Required Reading: Ch 11 from TP.

Class 9
Regional Trade Arrangements
Required Reading: Ch 12 from TP. Skip pages 255-259 and problem #10.

Class 10
FIRST midterm REVIEW (with the TF)

Class 11
FIRST EXAM
PART TWO: FOREIGN EXCHANGE & INTERNATIONAL FINANCIAL MARKETS

Class 12  
**Foreign Exchange & the Forward Markets**
Required Reading: Ch 17 from TP.

Class 13  
**Foreign Exchange & the Forward Markets**
*Required Reading*: Ch 18 from TP.

Class 14  
**Foreign Exchange & the Forward Markets**
*Required Reading*: Ch 18 from TP.

Class 15  
**The Balance of Payments**
*Required Reading*: Ch 16 from TP.

Class 16  
**The Determination of Exchange Rates**
*Required Reading*: Ch 19 from TP.

*******Spring break week around here********

Class 17  
**The Determination of Exchange Rates**
*Required Reading*: Ch 19 from TP.

Class 18  
**The Determination of Exchange Rates**
*Required Reading*: Ch 19 from TP.

Class 19  
**The Determination of Exchange Rates**
*Required Reading*: Ch 19 AND 20 from TP.

Class 20  
**Government Policy in the Foreign Exchange Market**
Required Reading: Ch 20 from TP.

Class 21
Exchange Rate Policy Options
Required Reading: Ch 25 from TP.

Class 22
Review for second exam (with TF)

Class 23
SECOND EXAM

PART THREE

Class 24
Migration: Moving People Instead of Goods

Class 25
FDI and multinational corporations
Required reading: Ch 15 from TP.

Class 26
Institutions: The World Trade Organization (WTO)

Class 27
Institutions: The International Monetary Fund (IMF)

Class 28
Final Review