Class details
International Economics (ECON-UA 9238)
Mondays, 1:00pm - 4:00pm

Instructor Details
Gabriela Mundaca
Gme1@nyu.edu
Mondays, Room 214, 4:00pm - 6:00pm

Prerequisites
Introductory Microeconomics and Macroeconomics

Class Description
The course provides the economic framework, the tools, and the basic institutional knowledge that permits studying the effects of globalization and the increasingly interdependent economic international environment on the macroeconomy. In the first part of the course, we will address for example the following questions. What determines the basis for trade? What are the effects of trade? What determines the value and volume of trade? What factors impede trade flows? In the second part of the course, among the topics to be studied are exchange rate determination; monetary and fiscal policy in an open economy; balance of payment problems; advantages and disadvantages of different exchange rate regimes; currency unions; global capital markets; and international debt. We will analyze and discuss subjects such as the exchange rate and financial markets crises in Asian and Latin American countries in the 1990s; the 2008 financial crisis how it affected the developed world and emerging countries; the current US current account deficit; the current crisis in the EURO system; global financial imbalances.

The course includes classroom lectures; homework; and in-class exams.

Desired Outcomes
By the end of the semester, each student should be able to:

- Use adequate professional terminology and methodology to describe and explain how international markets function and relate with the macroeconomy.
- Analyze and critique the performance of international markets.
- Have practical working knowledge of the economic fundamentals underlying international actions to understand current and future international development.
- Identify and offer assessments of economic policies available to governments to deal with and solve current problems in international markets.

Assessment Components
Your grade will be determined by your performance on homework, class activities, and three exams. Each type of graded activity contributes a specific weight to the calculation of your
final grade as indicated below.

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<tbody>
<tr>
<td><strong>Participation</strong></td>
<td>10%</td>
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<tr>
<td><strong>Homework:</strong></td>
<td>10%</td>
</tr>
<tr>
<td><strong>Midterm # 1</strong></td>
<td>20%   (closed-books and notes)</td>
</tr>
<tr>
<td><strong>Midterm # 2:</strong></td>
<td>20%   (closed-books and notes)</td>
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<tr>
<td><strong>Midterm # 3</strong></td>
<td>20%   (closed-books and notes)</td>
</tr>
<tr>
<td><strong>Final exam:</strong></td>
<td>20%   (closed-books and notes)</td>
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<tr>
<td><strong>Total</strong></td>
<td>100%</td>
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**Textbook:** The course will follow the book of Dominique Salvatore but will be heavily complemented with Dr. Mundaca’s Lecture Notes. These Lecture Notes will be available on the website of the course. Note that simply reading the Lecture Notes and attending lectures will not be enough for you to learn the topics covered in this course. Read the textbook carefully and the lecture notes when available on the website of the course, and ask questions whenever you find something confusing or problematic. Memorize the terminology introduced. Come to lectures prepared by studying the textbook chapters as indicated below.

**Lectures:** Students are expected to attend every class and come with prepared questions whenever you want more explanation. Please read below on “Attendance Policy”. You will not be allowed to postpone a midterm because of absences earlier in the semester unless you have informed me IN ADVANCE of your situation. If you miss any lectures, you are still responsible for the material that was covered. The material we cover each week builds on the content of the previous weeks. You should try to catch up right away; if you do not, you will find yourself slipping farther and farther behind. Get notes from a classmate, thoroughly review the relevant section of the text, and then visit me during office hours or make an appointment if you have questions.

**Homework:** Students will be given 4 homeworks spread out over the course of the semester. Each homework will be worth a maximum of 4 points for a total maximum of 16 points. Tentative due dates are listed on the attached course schedule. Any changes in due dates will be communicated both in class and via email. Extensions of deadlines will be provided only if you present Dr. Mundaca and Ms Lauren Sinclair with a valid excuse for missing the class’s deadline.

PLEASE PAY CAREFUL ATTENTION TO DUE DATES and TIMES for the homework assignments! Complete homework before they are due, making sure you leave yourself enough time to get answers to any questions you might have. Do not wait until the last minute to start homework assignments, only to find that your internet connection is temporarily out of service, or you develop a sickness. To get full credit, present your work neatly, clearly label each problem and give sufficient explanation and interpretation to your results. Every homework assignment must be handed in by the time and date indicated. **Homework should be submitted at the beginning of the class on the indicated date. I will not accept homework send via email.**

**Midterm and final exams:** Students are required to take three Midterm exams and one Final exam. To prepare for exams, it is strongly suggested that you (a) find a study partner or group and meet regularly to talk about the concepts covered in the class; (b) practice using the
graphs to explain how markets function and the effects of economic policy; (c) practice explaining the logic of how markets work; and (d) ask questions in class, and in my office hours. To get full credit, present your exams neatly, clearly label each problem and give sufficient explanation and interpretation to your results.

**The format of exams will be problems to solve. Exams are “closed book” events – use of notes and interaction with classmates are both prohibited. The final exam will be cumulative.**

Make-up exams will be granted **only** to those students whose excuse complies with University policy. If you believe you need a make-up exam, please inform me as far in advance as possible by email and at a minimum the day of the exam. In the case of illness, ask your health care provider to verify dates of treatment and indicate the time frame that you are unable to meet academic responsibilities.

**Assessment Expectations**

**Grade A:** The student makes excellent use of empirical and theoretical material and offers well-structured arguments in his/her work. The student writes comprehensive essays / exam questions and his/her work shows strong evidence of critical thought and extensive reading.

**Grade B:** The candidate shows a good understanding of the problem and has demonstrated the ability to formulate and execute a coherent research strategy.

**Grade C:** The work is acceptable and shows a basic grasp of the research problem. However, the work fails to organize findings coherently and is in need of improvement.

**Grade D:** The work passes because some relevant points are made. However, there may be a problem of poor definition, lack of critical awareness, poor research.

**Grade F:** The work shows that the research problem is not understood; there is little or no critical awareness and the research is clearly negligible.

**Grade conversion**

Your final letter grade will be determined by your average score. There are two ways you can achieve each letter grade. For each student, I use whichever method gives the highest letter grade.

<table>
<thead>
<tr>
<th>Grade</th>
<th>Method #1 (“Minimum Score”)</th>
<th>Method #2 (“Class Rank” )</th>
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<tbody>
<tr>
<td></td>
<td>for attaining this grade</td>
<td>for attaining this grade</td>
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<tr>
<td></td>
<td>is an average score of...</td>
<td>is an average score...</td>
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<tr>
<td>A</td>
<td>93.0 or higher</td>
<td>in the top 20% of the class</td>
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<tr>
<td>A-</td>
<td>90.0 – 92.9</td>
<td>in the top 29% of the class</td>
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<tr>
<td>B+</td>
<td>85.0 – 89.9</td>
<td>in the top 45% of the class</td>
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<td>Grade</td>
<td>Score Range</td>
<td>Percentage of the Class</td>
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<tr>
<td>B</td>
<td>80.0 – 84.9</td>
<td>in the top 60%</td>
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<tr>
<td>B-</td>
<td>75.0 – 79.9</td>
<td>in the top 69%</td>
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<tr>
<td>C+</td>
<td>70.0 – 74.9</td>
<td>in the top 79%</td>
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<tr>
<td>C</td>
<td>60.0 – 69.9</td>
<td>in the top 89%</td>
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<tr>
<td>C-</td>
<td>55.0 – 59.9</td>
<td>in the top 91%</td>
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<tr>
<td>D</td>
<td>50.0 – 54.9</td>
<td>in the top 95%</td>
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<tr>
<td>F</td>
<td>below 50.0</td>
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To make sure you understand: The scores in each column are sufficient, but not necessary, to get the associated grade. For example, every student in the top 20% will earn an “A” even if his/her average score is less than 93.0. And every student with an average score of 93.0 or better will get an “A” even that is more than 20% of the class. In this course, grades are based solely on the average score for the assigned work and exams.

### Attendance Policy

Students are permitted one unexcused absence across the course of the semester. To seek an excused absence for medical reasons, students must email or discuss with Lauren in advance of their missed class. For an excused absence, students must produce a doctor’s note dated with the exact dates of the missed class and/or exam. Non-medical absences must be discussed with Lauren prior to the date(s) in question. Lauren will communicate the absence to all relevant faculty. If you have not received notification from Lauren, the student has not procured an excused absence.

If students have more than one unexcused absence they will be penalized by deducting 50% of the class participation grade (e.g.: If the class participation grade is 20% of the final grade, the final participation grade would be reduced by 50%. 80%---> 40%)

If students have more than two unexcused absences they will fail the course. Students are responsible for making up any work missed due to absence. This means they should initiate email and/or office hour discussions to discuss any missed lectures and assignments and arrange a timeline for submitting missed work.

NYU Washington, DC expects students to arrive to class promptly (both at the beginning and after any breaks) and to remain for the duration of the class. Three late arrivals or earlier departures (10 minutes after the starting time or before the ending time) will be considered one absence.

Please note that for classes involving a field trip or other external visit, transportation difficulties are never grounds for an excused absence. It is the student’s responsibility to arrive at the announced meeting point in a punctual and timely fashion. Staff members may always be reached by cell phone for advice regarding public transportation.
Late Submission of Work

1) Written work due in class must be submitted during the class time to the professor.
2) Late work should be emailed to the faculty as soon as it is completed. If the assignment must be submitted in person, Lauren Sinclair can collect on behalf of the faculty between the hours of 10-6, M-F.
3) Late work will be reduced for a fraction of a letter grade (e.g: A to A-, A- to B+, etc.) for every day it is late, including weekends.
4) Written work during the semester that is submitted 5 days after the submission date (including weekends) without an agreed extension fails and is given a zero.
5) Students who arrive to class late for an exam do not have automatic approval to take extra time to complete the exam.
6) Students who miss an exam (including the final) without previously arranged permission will receive a zero on that exam.
7) Assignments due during finals week that are submitted more than 3 days without previously arranged extensions will not be accepted and will receive a zero. Any exceptions or extensions for work during finals week must be discussed with the Site Director.

Students with Disabilities

Accommodations are available for students with documented disabilities. Please contact the Moses Center for Students with Disabilities at 212-998-4980 or see their website (http://www.nyu.edu/life/safety-health-andwellness/students-with-disabilities.html) for further information.

Plagiarism Policy

The presentation of another person’s words, ideas, judgment, images or data as though they were your own, whether intentionally or unintentionally, constitutes an act of plagiarism.

NYU Washington, DC takes plagiarism very seriously; penalties follow and may exceed those set out by your home school. All your written work must be submitted as a hard copy AND in electronic form to the instructor. Your instructor may ask you to sign a declaration of authorship form.

It is also an offense to submit work for assignments from two different courses that is substantially the same (be it oral presentations or written work). If there is an overlap of the subject of your assignment with one that you produced for another course (either in the current or any previous semester), you MUST inform your professor.

For guidelines on academic honesty, clarification of the definition of plagiarism, examples of procedures and sanctions, and resources to support proper citation, please see:
http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/academic-integrity-for-students-at-nyu.html
http://gls.nyu.edu/page/gls.academicintegrity
http://cas.nyu.edu/page/academicintegrity
Required Text(s) Dominique Salvatore, *Introduction to International Economics (3rd Edition), Wiley Editions*

**Session 1**
Introduction to Course. Revision of economic principles
February 4

**Session 2**
The Gains from Trade: Partial Equilibrium Model
February 11

**Session 3**
The Ricardian Model
February 25

**Session 4**
The Heckscher-Ohlin Model
March 4

**Session 5**
MIDTERM # 1 (1 ½ hours)
Alternative Theories of Trade
March 11

**March 18 - 24**
SPRING RECESS MARCH

**Session 6**
Tariff and Non-Tariff Barriers to Trade
March 25

**Session 7**
The Debate over Protectionism. Outsourcing. Income Distribution
April 1

**Session 8**
MIDTERM # 2 (1 ½ hours)
Balance of Payments. National Accounts
April 8

**Session 9**
Exchange Rate and the Foreign Exchange Market
April 15
Session 10
The Monetary and Asset Market Approaches to External Balance
April 22
HOMEWORK #3 is posted on the website of the course. Due April 15

Session 11
MIDTERM # 3 (1 ½ hours)
The Effects of Fiscal and Monetary Policy under Fixed and Flexible Exchange Rates. Different Capital Mobility Assumptions
April 29

Session 12
The International Monetary System. The Different Exchange Rate Arrangements. The Return to the Gold Standard, a World Central Bank, Revisiting Capital Control.
May 6
HOMEWORK # 4 is posted on the website of the course. Due April 29

Session 13
May 13

Session 14
The increasing weight of Asia in global financial markets and its implications for the world economy.
The sovereign debt crisis in the EURO system.
The role of the G-20 in International Cooperation and Coordination.
May 17

Session 15
FINAL EXAM
May 20

Classroom Etiquette
Please contribute to a positive learning environment. Students are expected to treat each other, and the instructor with courtesy and respect. Students should avoid classroom disruption which can be defined as “behavior a reasonable person would view as substantially or repeatedly interfering with the conduct of the class.” Examples include coming late to class, repeatedly leaving or entering the classroom, making loud or distracting noises, persisting in speaking without being recognized, using cell phones, using computer equipment inappropriately, reading outside materials, and conducting side conversations with classmates. If a student engages in repeated participation in any disruptive activities in lecture or discussion, the student will be asked to leave.

Your Instructor
Gabriela Mundaca brings many years of research, advising to the policy departments of the Central Bank of Norway; and teaching at the Master Program for Applied Economics at Johns Hopkins University; and the Economics Department of the University of Oslo, Norway. She has published several articles in refereed international journals and attended numerous international conferences either presenting her own work, serving as discussant, or both. Gabriela Mundaca’s advisory experience was acquired during her 12 years affiliation with the Central Bank of Norway. There, she worked at the Research Department, and some of her duties, in addition to her research, were to advise the Bank’s Policy Divisions on a range of policy issues related to exchange rate policies; monetary policy; financial sector stability and its importance for the economy; and asset markets volatility. She was closely involved in the design of Norway’s monetary-fiscal policy response to (and management of) its oil wealth (Norway is the world 3rd largest exporter of oil). Norway’s practices in this area are regarded as a best practice at the international level. She has recently served as a consultant to the IMF and the World Bank.