Boston College
Department of Economics

THE GLOBAL ECONOMY
ECON 2207.01

SYLLABUS
FALL 2014

INSTRUCTOR: RAFFI GARCIA

Contact Information:
Office: Maloney Hall 314
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Office Hours: M W 9:45-10:45am or by appointment

Course Information:
Location: Champion Hall 200
Time: M W 8:30-9:45am

COURSE SUMMARY

This course studies the causes and effects of international flows of goods, services, labor, and capital. We will look at how governments and international institutions such as the World Trade Organization and the International Monetary Fund impact those flows through different policies and regulations in the areas of international trade and finance.

The course considers both the microeconomic and macroeconomic effects of international transactions. In the microeconomic portion of the course, we will consider a number of economic models of international trade in goods and services. We will use these models to predict the effects of free trade as well as the effects of government interventions that would either reduce (e.g., tariffs, quotas) or increase (e.g., export subsidies) the volume of trade. We will also discuss the causes and effects of international flows of labor (migration) and capital (investment).

In the macroeconomic portion of the course, we begin with the balance of payments accounts and what is meant by a balance of payments surplus or deficit. We then look at the factors that influence exchange rates, both in the short run and in the long run. We will discuss how a government, if it chooses, can hold its exchange rate fixed. We will also talk about the effects of international lending and recent financial crises associated with such lending.

Required Materials:
**Grading:**

15% Problem Sets
10% Participation

20% Midterm I  Monday, Oct. 6th – during class time
20% Midterm II Monday, Nov. 10th – during class time
35% Final Exam  TBD

**Class Policies:**

**Exams:** The topics and chapters covered on each of the exams will be posted online prior to each exam. The exams may include any material from class, textbook, homework, and course supplements. Sample practice questions will be posted online. The midterms will be given during class time and will cover the full 75 minutes. The final exam will be scheduled by the registrar and it will be cumulative. Please note that there will be no make-up exams. If there is an emergency and/or you miss an exam, let me know immediately.

Exam dates are subject to change at the discretion of the instructor. You will be informed about any date changes in advance.

**Problem Sets:** Homework assignments and due dates will be posted online. Assignments should be turned in at the beginning of class on the due date. You can work on the problem sets with other students in Econ 2207. However, you are responsible for turning in your own work and the work should not simply be a copy of another student’s assignment. Please keep in mind that the problem sets are your best preparation for the exams, on which you’ll be asked to solve hard problems quickly, thoroughly, and independently.

“**Extra-credit**” assignments: Please note that I will not give any “extra-credit” assignments.

**Attendance & Participation:** Class attendance is mandatory and participation is strongly encouraged since you will be graded on it.

**Excused absences:** If there is an emergency in your family or you experience significant health problems during the semester, please contact your academic advisor and/or Dean. Your advisor will then inform me, along with your other professors. At an appropriate time, we will then determine what to do about the work you missed.

**Devices:** No cell phone use is allowed during class. The use of other devises is limited to class-related activities (such as viewing the lecture slides, taking notes, or looking up materials related to the course). Please refrain from using your devices for email, texting, chatting, games, social media, or any other activities not related to class. Your class participation grade will be affected if you are found violating this rule.

**Information dissemination:** Course information will be posted online. You are responsible for checking the course page frequently. Any significant changes to our schedule will be announced via email.

**Contacting me:** The best way to contact me is via email. I check my email regularly. I am not reachable to students through phone/voicemail or social media.
**Accommodations:** If you are a student with a documented disability on record at Boston College and wish to have a reasonable accommodation made for you in this class, please see me immediately. Please keep in mind that accommodations cannot be provided retroactively.

**Academic integrity:** You are expected to be familiar with and to follow Boston College’s policies on academic integrity. Boston College has an Honor Code, which requires all members of this community to maintain the highest standards of academic honesty and integrity. Instances of alleged dishonesty (cheating, plagiarism, lying, stealing, etc.) will be reported to the Committee on Academic Integrity. Potential sanctions include failure in the course and suspension from the University.

You can find more detailed information on the BC website here: http://www.bc.edu/content/bc/offices/stserv/academic/integrity.html

**LECTURE OUTLINE**

Introduction and Course Organization ch. 1

1. The Theory of International Trade
   1.1 The Supply and Demand Model ch. 2
   1.2 Transportation Costs
   1.3 Comparative Advantage ch. 3 & pp. 49-62
   1.4 The Heckscher-Ohlin Model and Extensions pp. 62-64 & ch. 5
   1.5 New Trade Theory ch. 6
   1.6 Trade and Economic Development ch. 7
   1.7 The Future of Trade and the Effects of Globalization

2. Trade Policy
   2.1 Tariffs ch. 8
   2.2 Nontariff Barriers to Trade ch. 9
   2.3 Arguments For and Against Trade Protection ch. 10
   2.4 Dumping and Export Subsidies ch. 11
   2.5 Trade Blocs pp. 259-274
   2.6 Trade Sanctions (time permitting) pp. 274-279

3. International Factor Movements
   3.1 Capital and Technology Flows pp. 343-363, 513-516
   3.2 Migration pp. 363-374

4. Understanding Foreign Exchange
   4.1 The Balance of Payments ch. 16 & Appendix E
   4.2 The Foreign Exchange Market ch. 17
   4.3 What Determines Exchange Rates? chs. 18 & 19
   4.4 Government Policies toward the Forex Market ch. 20 & pp. 652-660
   4.5 International Lending and Financial Crises ch. 21