Course Outline 2018
ECON 241: INTERNATIONAL ECONOMICS (15 POINTS)
Semester 1 (1183)

Course Prescription
An introduction to major issues in international trade and finance as well as the conceptual frameworks for understanding these issues.

Topics include: theories of international trade, multinational corporations and FDI, global production networks and supply-chain trade, international financial markets and capital mobility, exchange rate regimes, macroeconomic stabilization policies in the open-economy setting.

Programme and Course Advice
Prerequisite: ECON 101 or ECON 191, and ECON 111.

This course is one of the prerequisites for ECON342 and ECON343. For students majoring in economics, this course is elective at stage 2. For students majoring in other subjects, or with a specialisation in International Economics, this course helps gain entry into ECON 341 and ECON 352.

Goals of the Course
This course serves as a stand-alone course for those interested in understanding the issues in international finance and trade. It helps gain entry to theoretical and applied courses in each field at higher levels of study.

Learning Outcomes
By the end of the part “international trade”, students should understand
1. the principle of comparative advantage and under what conditions trade may benefit all countries involved;
2. how cross-country differences in endowment and technology determine the world trade pattern and why similar countries also trade with each other;
3. how global supply chains have substantially changed the world trade patterns and how trade flows affect the rewards to various productive factors;
4. how the interactions between trade openness and technology progress have reshaped the world production landscape, with a special focus on New Zealand’s trade interests and Asia-Pacific economy.

By the end of the part “international finance”, students should understand
5. the history of international monetary system and the structure of world FX markets;
6. the balance of payments accounting and the valuation effect;
7. the exchange rate determination in the short run and in the long run;
8. the policies that governments may use to correct internal and external imbalances.
Content Outline and Schedule (Tentative)
This course consists of two parts: international trade and international finance.

PART I: International Trade
Week 1  Introduction to International Economy and Globalization
         Classical Trade theory I: the Ricardian Model

Week 2  Classical Trade theory II: Heckscher-Ohlin Model:
         • Comparative Advantage in Endowment
         • Trade Patterns of New Zealand vs. Singapore

Week 3  Who Gains and Who Loses from Trade?
         • Welfare Implications of the Heckscher-Ohlin Theory
         • Education Systems and Trade Pattern: International Comparison
         Tutorial – Session 1

Week 4  Understanding Intra-Industry Trade:
         • Economies of Scale and International Location of Production,
         • Monopolistic Competition and Firms’ Decisions

Week 5  Understanding Intra-Industry Trade:
         • Global Supply Chains and Rising North-South Trade
         • Globalization: Past, Present, Future
         Tutorial – Session 2

Week 6  Mid-Term Test & Class Presentation of Group Projects

PART II: International Finance
Week 7  • International Monetary System: A Historical Overview
         • Measurements and Basic Concepts: Balance of Payments

Week 8  Exchange Rates and Foreign Exchange Markets
         • Spot vs. Forward Markets, Direct vs. Indirect Currency Quote
         • Geographical Distribution of Forex Trading

Week 9  Exchange Rate Determination: An Asset Approach
         • Exchange Rate Risk and Hedging through Forward Market
         • Covered vs. Uncovered Interest Parity

Week 10 Exchange Rate Determination: A Monetary Approach
         • Law of One Price and Purchase Power Parity
         • Long-Run Determination of Exchange Rate
         Tutorial – Session 3

Week 11 Macroeconomic Policy in the Open Economy: Impossible Trinity
         • Internal vs. External Balances
         • Monetary and Fiscal Policy, Capital Controls

Week 12 Tutorial – Session 4 & Class Presentation of Group Projects
Learning and Teaching

Weekly lectures are scheduled as follows.

- **Monday** 12:00 PM - 02:00 PM  MLT2/303-102  
- **Wednesday** 12:00 PM - 02:00 PM  MLT2/303-102

Lectures are a core component of this course and students should attend the lectures. They are encouraged to read about current events in the global economy and share their opinions in the classroom discussions during the semester. Four tutorial sessions are scheduled during lectures over the course of the semester, which involve problem solving and provide some practice for tests and exams.

**Teaching Staff: Dr. Haiping Zhang**

Email: haiping.zhang@auckland.ac.nz  
Telephone: 9231152

Consultation Hours: Wednesday 2:00 PM – 4:00 PM  
Location: OGGB Room 657

**Learning Resources**


The textbooks will be available at the bookstore. A copy will be available on short loan in the General Library. Alternate editions of the book may be used, however, there may be small differences between editions. Please check Canvas prior to class for course announcements, lecture slides, and supplementary reading materials.

**Some Useful Links**

- A glossary of terms in international economics is available at Alan Deardorff’s website  
  http://www-personal.umich.edu/~alandear/glossary/
- WTO: http://www.wto.org  
  IMF: http://www.imf.org  
  OECD: http://www.oecd.org  
- World Bank: www.worldbank.org  
  UNCTAD: http://www.unctad.org  
- World Economic Forum: https://www.weforum.org/  
- The Economist: http://www.economist.com/

**Assessment**

- Two Group Projects & Presentations  20%
- Mid-Term Test (Closed Book)  30%
- Final Exam (Closed Book)  50%

To pass this course, students must get more than 50% of total mark. *Plussage does NOT apply.*

Tutorial questions and problem sets provide an indication of the standard required and an opportunity to develop problem-solving skills. Group projects offer students the opportunities to use the economic theories and intuitions taught in the class to do research on latest issues in the world economy as well as to present the project outcomes in the class. Students should submit the project outcomes through Canvas.

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<thead>
<tr>
<th>Group Project</th>
<th>Thesis Submission Dates</th>
<th>Class Presentation Dates</th>
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<tbody>
<tr>
<td>1</td>
<td>before 5.00pm, Wed, 28 March</td>
<td>18 April</td>
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<td>before 5.00pm, Wed, 23 May</td>
<td>30 May</td>
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The mid-term test is held at 12:00pm–1:30pm, 16 April in the regular classroom.
In the mid-term test and the final exam, student should demonstrate their problem-solving skills and the understanding of theoretical models as well as their ability to describe and explain their results intuitively.

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<tr>
<th>Learning Outcome</th>
<th>Assignment 1</th>
<th>Assignment 2</th>
<th>Mid-Term Exam</th>
<th>Final Exam</th>
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**Course Policies**

Student must ensure that they hand in the Assignment on the due date. No extension will be granted. There will be a severe penalty imposed on any late hand-ins up to a time stipulated by the lecturer. All students enrolled in the class are expected to take the exams on the scheduled dates.

An exception to this rule may be made in the case of a legitimate and pressing need to be excused, such as an illness, bereavement or other emergency, at the discretion of the lecturer. Please contact the lecturer if you experience such a circumstance along with any evidence you might have.

**Cheating and Plagiarism**

The University of Auckland regards cheating as a serious academic offence. Cheating and copying on tests and exams will not be tolerated. Students are not allowed to copy Assignments from fellow students. Any student caught doing any of the above will face serious penalties.

Plagiarism is a form of cheating. In coursework assignments submitted for marking, plagiarism can occur if you use the work and ideas of others without explicit acknowledgment. Work can be plagiarised from many sources, including books, journal articles, the internet, and other students’ assignments. A student’s assessed work may be reviewed against electronic source material using computerized detection mechanisms. Upon reasonable request, students may be required to provide an electronic version of their work for computerized review.

The way of avoiding plagiarism is to reference your work properly. If you are in doubt about how to reference properly, ask someone – your lecturers, tutors and the Student Learning Centre are good places to start. Please refer to the following website for further information about academic referencing: www.cite.auckland.ac.nz/

The document Guidelines: Conduct of Coursework provides further advice on how to avoid plagiarism. It can be found at: https://policies.auckland.ac.nz/policies/Policies/policy-display-register/guidelines-for-the-conduct-of-coursework.pdf

The penalties for plagiarism can be severe, including losing some or all of the marks for the work. Major offences can be sent to the University’s Discipline Committee, where further penalties can be imposed.
Third Party Assistance with Coursework

While you are encouraged to improve your coursework writing skills and are permitted to seek assistance from third parties you are advised that there are important limits on the amount and type of assistance that can be given to you in completing your assignments, including group work. Third parties include fellow students, reading groups, friends, parents, SLC tutors, and paid-for professional editing services.

There is a set of guidelines which clearly indicates the type of advice and assistance that can be given. If you are seeking the assistance of any third party you are required to give a copy of the guidelines to the person prior to them helping or assisting you. You are also required to only seek and accept help using a printed version of your work, not an electronic version. You must keep a copy of this printed version and produce it if required. See www.business.auckland.ac.nz/thirdpartyassistance for the guideline.

Inclusive Learning

Students are urged to discuss privately any impairment-related requirements face-to-face and/or in written form with the course convenor/lecturer and/or tutor.

Help with Academic Referencing

Acknowledgement of sources is an important aspect of academic writing. The University’s Referencite website www.cite.auckland.ac.nz provides students with a one-stop online resource for academic referencing needs. Referencite explains the essentials of referencing and how to avoid plagiarism. It also includes practical tools to help students reference correctly, use references effectively in writing, and gives fast access to some major reference formats with examples.

Student Feedback

Student feedback is encouraged in this course. During the semester, students may directly submit their feedback to the lecturer, or they may wish to submit feedback through the class representative.

Class Representatives

At the beginning of each semester, you will elect a class representative for the course. The role of the class representative is to gather feedback from students in the course and bring this to the lecturer and/or the Department. Class representatives’ email addresses are posted on CANVAS and you are encouraged to contact them with feedback relating to the course. You are also encouraged to talk to the class representatives in person.

Staff-Student Consultative Committee

Class representatives also submit feedback to the Department of Economics Staff Student Consultative Committee (SSCC), which meets up to three times per semester to gain feedback regarding the course. Only class representatives may attend the SSCC meetings, and they will ask the class for feedback before the SSCC meeting.

Course and Teaching Evaluations

At the end of the semester, you could have the opportunity to submit an evaluation of the course in a formative feedback questionnaire.