



**Department of Economics
Hong Kong University of Science and Technology
ECON 338: Globalization: Trade, Investment and Exchange Rate
(OBE Pilot Course)
Spring 2011**

Syllabus

Instructor: Prof. LI, Yao Amber (李瑶)

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Office Hours: Monday 15:00-16:00 or by appointment (beyond official office hours if you have any questions please feel free to make an appointment.)

Course Website: <http://mes.ust.hk>

Lecture Time and Venue: Mon, Wed 10:30-11:50 Room 2302 (Lift 17/18)

(Reminder: This course requires Personal Response System (PRS). Please visit the ITSC AV Services Counter (Rm 1030, lift 1) to check out your own ID-encoded PRS handset by Feb. 14, Wednesday, Lecture 3.)

Teaching Assistant: Zhao, Chen E-mail: zhaochen@ust.hk

Office Hours: Wednesday 17:00-18:00 Venue: Room 4475 (Lift 25/26)

Tutorial Time and Venue: Mon 12:00-12:50 Room 4504 (Lift 25/26) (when problem sets are due and exams are graded, or when there is a make-up class)

Registration

You are responsible for ensuring you are registered in the correct courses. If you are not registered in a course, the Department will not release any of your marks until your registration is corrected.

Prerequisite Note

The prerequisite for this course is ECON 110, 111 or 191 (or other equivalent knowledge of microeconomics).

You are responsible for ensuring that you have successfully completed all course prerequisites, and that you have not taken an antirequisite course. Lack of prerequisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed.

If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure that spaces become available for students who require the course in question for graduation.

Course Description

In this course, we will examine the causes and consequences of globalization. There are three parts throughout the course. **Part I** discusses the patterns of international trade, why nations trade, what they trade, and who gains from trade, without explicit policy interventions. **Part II** analyzes the determinants and the implementations of different trade policies, the motives for countries or organizations to restrict or regulate international trade, and the welfare implications of those trade policies. **Part III** focuses on financial globalization, which covers the analysis of the exchange rate, financial crisis, and macroeconomic policies.

Fundamental models in international economics will be introduced to analyze the issues whenever necessary, but with more focus on economic reasoning and intuition rather than technicalities. Real world important globalization issues and policies will be discussed throughout the course, including the effects of trade on economic growth and income inequality, multinationals, Foreign direct investment, WTO, IMF, different exchange rate regimes and many others. There will also be regional case studies on China and other Asian economies.

Course Materials

(I) Required Readings

- Textbook: Paul Krugman and Maurice Obstfeld, *International Economics: Theory & Policy*, 8th edition (2008, or 2009, Pearson International Edition), Addison-Wesley Publishing Company. (KO hereafter) (in library reserve).
- Lecture notes and listed articles on course website (to be added)

(II) Supplementary Readings (either in library reserve or online)

- Giddens, Anthony. *Runaway world : how globalization is reshaping our lives*, Routledge. (2000)
- Rodrik, Dani, *Has Globalization Gone Too Far?* Institute for International Economics (1997).
- Paul Krugman, *The Return of Depression Economics and the Crisis of 2008*. (2008)
- Joseph E. Stiglitz, *Making globalization work*, 1st ed. W.W. Norton & Co., (2006)
- Useful Websites: [The Economist](#), [WTO](#), [IMF](#), [World Bank](#), [China's Ministry of Commerce](#)

OBE Pilot Course

This course is part of the Outcome Based Education (OBE) Pilot Projects of HKUST. The OBE is a teaching approach that sets clear and specific intended learning outcomes and assesses students' performance based on the planned outcome. For more details, please check the following website: <http://celt.ust.hk/obe/index.htm>.

Course Objectives

This course will provide students with fundamental skills and knowledge about international economics, which will help students become more effective and intelligent global citizens in their future professional career. In particular, this course is aimed at

- (i) helping students understand and analyze the real-world key phenomena and policies concerning economic globalization, an increasingly important feature of the modern world;
- (ii) investigating the important questions of international economics and the main components of international trade and international finance;
- (iii) assisting students in developing the necessary concepts and tools to analyze the current global issues/events and their impacts on the business environment and the world economy;
- (iv) enabling students to understand and evaluate the effects of various trade policies on the business environment and the global economy;
- (v) encouraging students to think critically and creatively when making effective economic decisions and policy suggestions supported by international economic theories, and the relevant analytical and quantitative techniques.

Learning Outcomes

Upon successful completion of this course, you should be able to:

1. Have a general knowledge of globalization. Describe the main questions in international economics and the main components of international trade and international finance. Explain the impact of each key component; and analyze the critique of the applicability of models.
2. Apply the international economic concepts, principles, and models to analyze global phenomena and relevant policy debates, conduct economic analysis of the world economy and society, and carry out independently applied research on international economic problems.
3. Analyze qualitatively and quantitatively basic international trade and finance problems, apply your knowledge to practical situations and make wise economic decisions, and adapt to changes in business and social environments and professional requirements.
4. Communicate effectively in oral and written English to analyze global economic issues.
5. Demonstrate proficiency in using IT applications in global business and management.
6. Locate, gather, and organize information using appropriate information technology and systems.

Teaching Approach

This course is primarily delivered through lectures, class discussions, and tutorials. The course is designed to help students cultivate the habit of thinking critically and independently but working constructively and cooperatively, as reflected in the grading policy. The basic teaching materials closely follow the main textbook and lecture notes/slides. Additionally we will constant use real world cases, newspaper articles and research papers for discussion in class. Students are highly encouraged to work collectively on the problem sets and prepare for the group presentation. Two exams will give students opportunities to demonstrate their abilities to analyze globalization and international economic problems.

Teaching and Learning Activities	Roles in the Course	Course Learning Outcome addressed
Lectures with in-class discussions	Explain key concepts and models to students using an active learning approach through PRS, and in-class discussion	1, 2, 3, 4, 5
Tutorials	Review basic model and concepts, practice problem-solving, presenting answers to homework and exams	2, 3, 4
Homework assignments	Practice problem solving; apply models to analyze currency economic issues	1, 2, 3, 4, 5, 6
Group project and presentation	Apply international economic concepts to real life global issues and policy debates with critical literature review and collective teamwork	1, 2, 3, 4, 5, 6

Assessment

Problem Sets (Assignments)	-----	0%
Exams	-----	70%
Group Presentation	-----	20%
Class Participation	-----	10%

All students are required to attend class. Material covered in class may serve as the basis for exam questions. I will post lecture notes on course website. Please note that often the material covered in class is not covered in the text nor is it posted on LMES.

1. Assignments (0%): Four problem sets will be given, but will not be collected. Students are strongly encouraged to form study groups and work together on each problem set. Solutions will be posted a week after the problem sets are posted, and the TA will go over the solutions in tutorials. Problem sets will be a good practice for you and will give you an idea of the questions that you may expect in the examinations.

2. Exams (70%): There will be one in-class midterm exam (March 23, Wednesday) and one final exam (TBA). **Grading scheme: *max*** (30% Midterm + 40% Final, 25% Midterm + 45% Final)

(1) **The midterm exam is modular and the final exam is comprehensive (covering the whole course).** All materials posted on the LMES and mentioned in class are subject to examination.

(2) A non-graphing, non-programmable calculator may be used during exams. Exams are closed-book and other aids, including any notes, electronic or paper dictionaries, should not be used. Computer-marked multiple-choice tests and/or exams may be subject to submission for similarity review by software that will check for unusual coincidences in answer patterns that may indicate cheating.

(3) There will be **no make-up midterm exams**; however students missing a midterm exam with a documented and legitimate cause approved may be eligible for a reweighting of the remaining exams. In the case of a missed midterm, your final exam will weight 70%. In the case of a missed

final (with a valid and approved excuse), a make-up exam will be given. See “No Make-up of Course Requirements” for more detail.

- (4) Please check your grade of midterm as soon as you get them back. Any discrepancy should be reported to TA **within one week** from the date of returning your midterm. **Late complaints will not be accommodated.** In the case of your appeal of reassessment, not only the discrepancy part but your entire exam will be reassessed. This reassessment may result in either a higher or a lower grade.

3. Group Presentation (20%):

- (1) You are required to get to know your classmates and form groups on voluntary basis but satisfying some criteria (to be announced by the instructor in Week 2), on or before **March 9 (Wednesday)**, with **each group consisting of 4-5 people**. Have one representative from your group email me and TA (Chen) your group members' names, student ID, and ITSC accounts. Let Chen or me know if you need help forming a group. After the due date (March 9), Chen and I will arrange students who have not formed their own groups into new groups or join existing groups.
- (2) I will assign a topic to each group, who will do a presentation to the class at the end of the semester.
- (3) Each group is required to submit a one-or-two page outline to the instructor in class **on April 6**. The outline should include: a) a description of the topic that you intend to analyze, b) your initial investigation of the aspects of the topic you wish to analyze, c) the main sources of previous literature on the same or closely related topic; d) the data that you intend to collect for the presentation if any, and how to collect, and e) a table listing the key tasks to be completed for the project, deadlines for each task, and the division of labor (i.e., which team member is responsible for which task by what date).
- (4) The presentation slides are **due 3 days prior to your presentation**. I will announce the deadline in class once the order of presentation are determined.
- (5) The presentation will last for 20 minutes, followed by a 5-minute Q&A session. (The time may be subject to adjustment based on the total number of groups).
- (6) Grading scheme: 2.5% = anonymous within-group peer assessment; 2.5% = anonymous peer assessment for presentation by other groups; 2.5% = quality and content of project outline; 5% = quality and content of presentation slides; 7.5% = presentation performance.
- (7) There will be a peer evaluation procedure conducted in class to assess individual contributions to the group project. Marks will be deducted for students who get consistently poor rating by other peers. There would also be bonus points awarded to group members who get consistently top ratings from their peers. (The time of within-group peer assessment to be announced in class along the course).
- (8) Groups may be allowed to work on a topic different from those assigned by consent of the instructor under special circumstances.

4. Class Participation (10%): You are expected to participate actively in class. It is possible that you will be randomly chosen to answer questions in class. Marks for class participation will be decided based on discussion performance and classroom conduct. Misconduct in class, such as late arrival, early leaving, chatting, surfing on internet, and using mobile phones in class will result in losing part or all of class participation marks.

5. I try my best to make the course requirement as clear as possible. When you have any questions or when you encounter any difficulties in studying, please do not hesitate to consult me either in or out of class throughout the semester (until the final exam). **I'd be delighted to help you succeed in the course!** Also please remember that ultimately it is you who earn the grade and are responsible for building up your own academic records! So, if you know what grade you need to earn (or want to earn) for graduation, scholarship, exchange opportunities, honors, etc., you need to make the corresponding effort to achieve your objective.

6. No Make-up of Course Requirements: No make-up examinations will be administered except under very unusual circumstances. If something prevents you from attending an exam on time, you should notify me, and we can make alternative arrangements **BEFORE** the exam. Note that outside activities or more than one exam in a day are not acceptable excuses for missing an exam. (Please plan accordingly!) If I am not contacted in advance, where possible, I will reserve the right to assign a failing grade for the exam missed.

Course Outline

This is a TENTATIVE outline and minor adjustments may occur as the course progresses. I'll indicate in class if we're skipping some subsections within the chapters. Any changes will be announced in class, according to the pace as we proceed. All students are responsible of keeping abreast of any changes at all times.

Introduction (Chapter 1 & 2)

Part I. International Trade Theory

- ✧ Productivity and The Ricardian Model (Chapter 3)
- ✧ Endowment and Heckscher-Ohlin Trade Model (Chapter 4)
- ✧ The Standard Trade model and Income Distribution (Chapter 4-5)
- ✧ Trade models with Increasing Returns (Chapter 6)*
- ✧ Foreign direct investment and multinational firms (Chapter 7)
- ✧ Trade and growth; China in the world economy (Supplementary Readings)

Part II. International Trade Policy

- ✧ The Instruments of Trade Policy and Welfare (Chapter 8)
- ✧ The Political Economy of Trade Policy and WTO (Chapter 9)
- ✧ Trade Policies in Developing Countries (Chapter 10)

Part III. International Finance

- ✧ Exchange Rate Determination (Chapter 12-13)*
- ✧ Money, Interest Rates, and Exchange Rates (Chapter 14-16)*
- ✧ Fixed and Flexible Exchange Rate Regimes (Chapter 17)
- ✧ Financial Crisis (Chapter 22)

*: optional, depending on time constraint.

More specific learning objectives and reading lists are provided along the course.

Tentative Course Schedule

(Subject to changes. Please visit LMES for updated schedule, readings, and assignments.)

Week	Date/Lecture & Tutorial	Topics	Textbook Readings	Assignments/Remark /Important Dates
1	Feb 7/Lec 1	Introduction to the course		
	Feb 9/Lec 2	Overview of globalization	KO, Ch1-2	Online "Getting to Know You" survey due (to facilitate formatting group criteria)
2	Feb 14/Lec 3	Ricardian Trade Models	KO, Ch3	Index Card with recent photo due (in class). Starting the usage of PRS.
	Feb 16/Lec 4	Ricardian Trade Models	KO, Ch3	

3	Feb 21/Lec 5	Endowment and Heckscher-Ohlin Trade Model	KO, Ch4	Problem Set 1 posted
	Feb 23/Lec 6	Endowment and Heckscher-Ohlin Trade Model	KO, Ch4	
4	Feb 28/Lec 7 & Tutorial	Trade and income distribution. Tutorial for Problem Set 1.	KO, Ch4-5	
	Mar 2/Lec 8	Trade and income distribution.	KO, Ch4-5	
5	Mar 7/Lec 9	Trade models with Increasing Returns	KO, Ch6	
	Mar 9/Lec 10	Trade models with increasing returns	KO, Ch6	Group project member list due (email me at yaoli@ust.hk and TA at zhaochen@ust.hk)
6	Mar 14/Lec 11	Foreign direct investment and multinational firms	KO, Ch7	Problem Set 2 posted. Topics for group projects announced.
	Mar 16/Lec 12	Trade and growth; China in the world economy		Topics for group projects partially assigned.
7	Mar 21/Lec 13 & Tutorial	Review for midterm exam. Tutorial for Problem Set 2.		Final assignment/selection of group project topic due (email me at yaoli@ust.hk and TA at zhaochen@ust.hk)
	Mar 23/Lec 14	In-class midterm exam		Midterm exam covers materials up to Lec 13
8	Mar 28/Lec (cancelled)	Switch with Tutorial session in Week 10.		No office hour this week. The lecture time will be made up in Week 10 using tutorial session.
	Mar 30/Lec (cancelled)	Switch with Tutorial session in Week 11.		The lecture time will be made up in Week 11 using tutorial session.
9	Apr 4/Lec 15 & Tutorial	Trade Policy and Political Economy Tutorial for midterm exam.	KO, Ch8-9	
	Apr 6/Lec 16	Trade Policy and Political Economy	KO, Ch8-9	Group presentation outline due (in class).
10	Apr 11/Lec 17 & Tutorial (Lec 18)	Political Economy of Trade Policy and WTO; Trade Policies in Developing Countries	KO, Ch9-10	Make-up class for week 8, using tutorial session. Group outline feedback session will be conducted in my office using office hour. Please sign up for meeting times.
	Apr 13/Lec 19	Balance of Payments and Exchange Rates	KO, Ch12-13	
11	Apr 18/Lec 20 & Tutorial (Lec 21)	Balance of Payments; Money, Interest Rates, and	KO, Ch12-13, Ch14-16	Make-up class for week 8, using tutorial session.

		Exchange Rates		
	Apr 20/Lec 22	Money, Interest Rates, and Exchange Rates; Fixed and Flexible Exchange Rate Regimes	KO, Ch14-16, Ch17	
12	Apr 25/holiday			
	Apr 27/Lec 23	Fixed and Flexible Exchange Rate Regimes; Financial Crisis	KO, Ch17, Ch22	
13	May 2/holiday			Problem Set 3 posted.
	May 4 /Lec (skipped)			Prepare for group presentation.
14	May 9/Lec 24 & Tutorial	Group presentation; Tutorial for Problem Set 3.		Problem Set 4 posted.
	May 11/Lec 25	Group presentation		
15	May 16/Lec 26 & Tutorial	Group presentation; Tutorial for Problem Set 4.		
	May 18/Lec 27	Review for final exam		
16	TBA	Final exam		Final exam is cumulative.

Code of Conduct

The university takes cheating very seriously. Dishonesty or plagiarism will not be tolerated. Any student violating **HKUST Academic Integrity and Honor Code** (<http://www.ust.hk/vpao/integrity>) will be subjected to disciplinary procedure. Please read the Code carefully and you are responsible to follow all the relevant policies by the University or Faculty/Department. Any student observed cheating on exams and problem sets, or plagiarizing material, will receive an "F" for the course.

Civility Statements: The classroom is a special environment in which students and faculty come together to promote learning and growth. Any successful learning experience requires mutual respect on the part of the student and the instructor. Neither instructor nor student should be subject to others' behavior that is rude, disruptive, intimidating, or demeaning.

Instructor responsibilities:

- Start and end class on time.
- Treat all students fairly, with courtesy and respect.
- Be open to constructive input from students in the course.
- Ensure that opportunities to participate are enjoyed equally by all students in the course.
- Contribute to a peaceful and inspiring learning environment.

Students should cooperate with the instructor and maintain the **Classroom Courtesy**: Class discussions will be conducted in an orderly fashion. Late arrival or early leave is regarded as serious disrespect to both instructor and other students. If a student must enter the classroom after the class has begun, please do so as quickly and quietly as possible. You should refrain from packing up belongings before class ends; not to make noises that might create a disruption in class (e.g., keep your cell phone in vibration mode or

turn it off); to give attention while either instructor or another student is speaking relevant content; to contribute to a peaceful and inspiring learning environment as well.

You are also welcome to bring your electronic equipments to class in order to take notes. However, since we use a lot of graphs for illustration, it is recommended that you write notes down manually. **Note that you may not engage in distracting behavior such as using your laptop to surf the Web, to check e-mail, or to do instant-messaging. Chatting or using mobile phones in class is not allowed either.** I will reserve the rights to not allow students with serious violation behavior to write the exams. For general guidelines about proper classroom behavior, please consult: http://www.ust.hk/vpao/conduct/good_learning_experience.pps

Student Counseling: Students who are experiencing difficulty with the course should visit the instructor during office hours or by appointment.

Final Notes:

Student feedback is essential for course improvement. I encourage continuous teaching evaluation. At any time during the semester you may orally or anonymously (e.g., via campus mail, or slip a note under my office door) give me your feedback of my performance. This evaluation could include the following headings: 1) Things that I like; 2) Things that I dislike; and 3) Suggestions for improvements.