COURSE OUTLINE
ECON 315 - GLOBAL ECONOMY

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Updated by Edouard Mafoua

School of Business and Liberal Arts
April 2015
ECON 315 - Global Economy

A. TITLE: Global Economy

B. COURSE NUMBER: Econ 315
   SHORT TITLE: Global Economy

C. CREDIT HOURS: 3

D. WRITING INTENSIVE COURSE (OPTIONAL): No

E. COURSE LENGTH: 15 weeks

F. SEMESTER(S) OFFERED: Fall and Spring

G. HOURS OF LECTURE, LABORATORY, RECITATION, TUTORIAL, ACTIVITY: 45 scheduled hours per semester

H. CATALOGUE DESCRIPTION: Students examine the historical development of the global economy and the increasing interdependence of economies, governments, and public policy. Economic theories in international trade, finance and monetary policy are explored within the context of globalization. Contemporary global economic issues such as the environment, income distribution, and development are analyzed using case studies from various nations.

I. PRE-REQUISITES/CO-COURSES: ECON 103, or at least 30 college credits with a 2.0 GPA.

J. STUDENT LEARNING OUTCOMES: Students will be able to:

<table>
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<tr>
<th>Course Objective</th>
<th>Institutional SLO</th>
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<tbody>
<tr>
<td>a. Explain the principle and sources of comparative advantage</td>
<td>1. Communication</td>
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<td>2. Crit. Thinking</td>
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<td>3. Prof. Competence</td>
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<td>b. Analyze the impacts of major instruments of trade policy on trade between countries</td>
<td>2. Crit. Thinking</td>
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<td>3. Prof. Competence</td>
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<td>c. Examine the role international trade plays in economic development</td>
<td>2. Crit. Thinking</td>
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<td>3. Prof. Competence</td>
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<td>d. Explain the balance of payment accounts</td>
<td>1. Communication</td>
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<td>2. Crit. Thinking</td>
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<td>3. Prof. Competence</td>
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<td>e. Analyze foreign exchange markets</td>
<td>2. Crit. Thinking</td>
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<td>3. Prof. Competence</td>
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<td>f. Describe the history, institutions, economy, society, culture of a non Western country in a research paper</td>
<td>1. Communication</td>
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<td>2. Crit. Thinking</td>
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<td>3. Prof. Competence</td>
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<td>4. Inter-Intra Pers. Skills</td>
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K. **TEXTS:** Current Suggested Text: Robert J. Carbaugh,


L. **REFERENCES:** Commanding Heights, The Battle for the World Economy: by Daniel Yergin and Joseph Stanislaw.

M. **EQUIPMENT:** DVD/VCR

N. **GRADING METHOD (P/F, A-F, etc.):** A-F

O. **MEASUREMENT CRITERIA:** As per instructor

P. **DETAILED TOPICAL OUTLINE:** See attached

Q. **LABORATORY OUTLINE:** Not applicable
DETAILED OUTLINE
ECON 315 - Global Economy

I. Introduction to the Global Economy
   A. Globalization of Markets
   B. Analysis of Global Market with Supply and Demand
   C. Consumer and Producer Surplus in the Global Market

II. International Trade
   A. Production Possibilities and Opportunity Costs
   B. Absolute Advantage
   C. Comparative Advantage
      1. Factor Proportions Explanation of International Trade
      2. Heckscher-Ohlin Theorem and Trade
      3. Implications of Factor Proportions Model on Global Factor Prices and Income
   D. International Production and Comparative Advantage
      1. Outsourcing
      2. Kaleidoscopic Comparative Advantage
   E. Economic Growth and Trade Patterns
      1. Rybczynski Theorem
   F. Regulating Trade
      1. Tax Incidence
      2. Tariffs
         a. effects of a Tariff in a ASmall Country
         b. effects of a Tariff in a ALarge Country
      3. Quotas
         a. effects of Quotas in a ASmall Country
         b. effects of Quotas in a ALarge Country
      4. Voluntary Export Restraints
      5. Export Subsidies and Countervailing Duties
   G. Cost of Trade Barriers
   H. Regionalism and Multilateralism
      1. Regional Trade Agreements
      2. Differences Between Free Trade Arrangements and Preferential Trade Agreements
      3. Differences Between Custom Unions and Common Markets
      4. Differences Between Multilateral and Regional Trade Arrangements

III. Fundamentals of International Finance in Economics
   A. Balance of Payments Accounts
      1. Current Account
      2. Capital Account
      3. Official Settlements Balance
   B. Foreign Exchange Markets
      1. Supply and Demand Analysis in the Foreign Exchange Markets
C. Foreign Exchange Derivative
D. Exchange-Rate Systems
   1. Gold Standard as an Exchange-Rate System
   2. Bretton Woods System of Pegged Exchange Rates
   3. Post-Bretton Woods System of Flexible Exchange Rates
   4. Crawling-Peg and Basket-Peg Exchange-Rate Systems
   5. Currency Board or Independent Currency Authority and Dollarization
   6. Fixed Versus Flexible Exchange-Rate Arrangements

E. Arbitrage
   1. Absolute Purchasing Power Parity and the Value of the Real Exchange Rate
   2. Relative Purchasing Power Parity as a Guide to Movements in Exchange Rates
   3. Covered and Uncovered Interest Parity
   4. Adaptive Versus Rational Expectations
   5. Efficient-Markets Hypothesis and Foreign Exchange Market Efficiency
   6. Conditions for Real Interest Parity
   7. Real Interest Parity as an Indicator of International Integration

IV. Global Money and Banking
   A. Role of Central Banks
      1. Government Bank
      2. Bankers’ Bank
      3. Monetary Policymakers
      A. Measuring National Output and Price Level
         1. GDP
         2. Price Index
      B. Determining Equilibrium Output and Price Level
         1. Aggregate Demand and Supply
      C. Monetary Policy and Its Impact on Interest Rates
         1. Balance Sheet of a Bank
         2. Tools of Monetary Policy
      D. Monetary Policy and Its Impact on GDP and Inflation
      E. Central Bank Intervention on Foreign Exchange Markets
         1. Sterilization
      F. Effectiveness of Foreign Exchange Intervention
         1. Portfolio Balance and Announcement Effects
         2. Cost and Benefits of Foreign Exchange Intervention

V. Contemporary Global Economic Issues and Policies
   Note: Section A to Section I must be covered in the course. The remaining sections are suggested topics
that a faculty member may wish to include depending upon current news items.

A. International Trade and Wages
B. International Wage Differentials
C. Mobility of Labor and Capital in Determining International Distribution on Earnings
D. Gross National Labor and Capital Flows
E. International Trade and Economic Development
   1. Stimulating Growth: Openness or Protectionism
   2. Capital Flows and Developing Nations
F. Protecting the Environment in a Global Economy
   1. Public Good Aspect of the Global Environment
   2. Alternative Approaches to Protecting the Environment
      a. multilateral efforts
G. International Policy Cooperation and Coordination
   1. Advantages and Disadvantages
H. Optimal Currency Areas and Monetary Unions
I. Globalization and Social Changes
J. Role of Economics of Scale in Explaining a Nation’s Specialization in Inter-Industry Trade
K. Role of Economics of Scale and Product Variety in Explaining Intra-Industry Trade
L. Foreign Direct Investment Impact on International Trading Patterns
M. Industry Structure and the Global Economy
   1. Perfect Competition
   2. Monopolistic Competition
   3. Oligopoly
   4. Monopoly
N. Explaining Why Firms Merge Across National Borders
O. Complications in Measuring Market Concentration with International Market Linkages
P. Regulating International Mergers and Acquisitions
Q. Protection for Consumers in a Global Economy
   1. Rationale for Consumer Protection
      a. asymmetric information
      b. adverse selection
      c. moral hazard
   2. Opposing Views of Government’s Role in Safeguarding Consumers
R. Protection for Intellectual Property Rights in a Global Economy
S. International Externalities
   1. Externality
   2. Global Public Goods
   3. Role of Multinational Institutions
T. Funding the Public Sector
   1. Globalization and International Tax Competition
U. Policy Goals in Open Economics
   1. Internal Goals
   2. External Goals
V. Rule Versus Discretion in Economic Policymaking
1. Time Lages in Discretionary Policy
W. Structural Interdependence and International Policy Externalities