

# REQUEST FOR APPROVAL TO USE W-DESIGNATION

LSC # 249  
Action \_\_\_\_\_

## COVER SHEET: Request for Approval to Use W-Designation

### TYPE I. PROFESSOR COMMITMENT

- (X) Professor Dr. Jack D. Julian Phone 357-2640
- (X) Writing Workshop? (If not at IUP, where? when?) May 19-20, 2004, at IUP
- (X) Proposal for one W-course (see instructions below)
- (X) Agree to forward syllabi for subsequently offered W-courses?

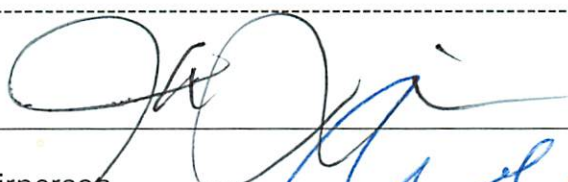
### TYPE II. DEPARTMENT COURSE

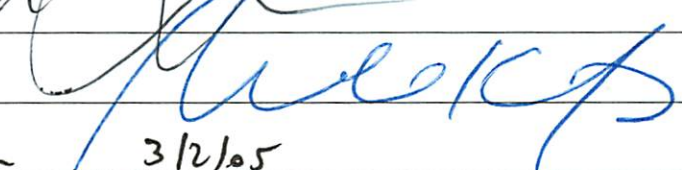
- ( ) Department Contact Person \_\_\_\_\_ Phone \_\_\_\_\_
- ( ) Course Number/Title \_\_\_\_\_
- ( ) Statement concerning departmental responsibility
- ( ) Proposal for this W-course (see instructions below)

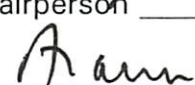
### TYPE III. SPECIFIC COURSE AND SPECIFIC PROFESSOR(S)

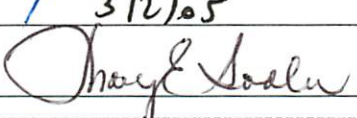
- ( ) Professor(s) \_\_\_\_\_ Phone \_\_\_\_\_
- ( ) Course Number/Title \_\_\_\_\_
- ( ) Proposal for this W-course (see instructions below)

### SIGNATURES:

Professor(s) 

Department Chairperson 

College Dean  Ann 3/2/05

Director of Liberal Studies  Cheryl Soala 3/17/05

### COMPONENTS OF A PROPOSAL FOR A WRITING-INTENSIVE COURSE:

- I. "Writing Summary"--one or two pages explaining how writing is used in the course. First, explain any distinctive characteristics of the content or students which would help the Liberal Studies Committee understand your summary. Second, list and explain the types of writing activities; be especially careful to explain (1) what each writing activity is intended to accomplish as well as the (2) amount of writing, (3) frequency and number of assignments, and (4) whether there are opportunities for revision. If the activity is to be graded, indicate (5) evaluation standards and (6) percentage contribution to the student's final grade.
- II. Copy of the course syllabus.
- III. Two or three samples of assignment sheets, instructions, or criteria concerning writing that are given to students. Limit: 4 pages. (Single copies of longer items, if essential to the proposal, may be submitted to be passed among LSC members and returned to you.)

**Please number all pages.** Provide one copy to Liberal Studies Committee.

**Before you submit:** Have you double-checked your proposal against "The Liberal Studies Committee's Most Frequently Asked Questions"?

**Writing Summary**  
**ECON 346 – International Finance**  
(submitted by Jack D. Julian, Jr., Department of Economics)

Econ 346 (International Finance) is proposed for identification as a writing-intensive (W) course. This course is taught regularly by the department and can qualify as a W course for economics majors.

Typically five to six short (2–4 page) writing assignments would be chosen from among the following three types of assignments. These assignments would constitute approximately 35–45% of the grade (total).

**1. Article reviews**

Reading news articles or articles published in professional journals provide content outside the instructor's lecture and discussion and the readings in the text book. Given the limited time for discussion in class, such articles can provide extended thoughts on ideas presented in class or the text. In addition they can offer different approaches and viewpoints as alternatives to the points of view of the instructor/text book author.

A review of the assigned reading(s), which include a summary and a critical analysis of the content, allows for the student to express her understanding of the assigned reading and her ability to synthesize the reading with the discussions of related information in class. A list of discussion points will accompany the assignment to guide the students' critical analysis of the material.

Evaluation is based on how clearly the material is summarized and how sophisticated the analysis.

**2. Technical writing**

Understanding of international finance requires the ability to make sense of economic data. Particularly in this course reference is made to the balance of payments accounts (a summary of international transactions) and exchange rate data. Higher order understanding of these measures will come from interpreting raw data as presented by government statistics (or other data reporting agencies). The student should be able to spot trends and differences across time, category, and in comparison between countries. The student will need to not only report the data but to describe patterns and trends. The student will also need to relate these observations to economic theory (as discussed in class or the text).

Evaluation is based on how clearly the data is summarized and how sophisticated the analysis.

**3. Problem solving**

The student would be given an assignment presenting a real or hypothetical situation in which they are to make a prediction or draw a conclusion. It is required that the student clearly depict the situation, clarify any assumptions, employ a particular theory or idea, and draw a conclusion and make a prediction. The systematic thinking requires more than a calculation or an algebraic manipulation (although that may be

employed as well), it requires clear articulation of the chain of events or transmission mechanism involved in solving the problem. I.e., a chain of events causing movements in related markets will require not only a diagrammatic analysis but an accompanying discussion that clearly explains the changes and predictions/conclusions.

Evaluation is based on how rigorously the theory has been applied and articulated.

**Other writing:**

- Homework assignments often employ end-of-chapter exercises that will include some discussion.
- Quizzes, tests, and other examinations will have some writing component, usually about two short answer problems similar to a homework problem.

**Comments:**

Longer papers (term papers) can be an option for some classes. Typically writing brief papers accomplishes the goals of learning by writing. Shorter papers also provide more breadth, rather than depth of discussion. These goals can be traded off by others who, if qualified, teach this W-designated course. Whereas the assignments above would not necessarily involve reviewing a draft and opportunity given for rewriting, certainly longer papers can have this component. Students lacking quality writing skills may have an opportunity to resubmit a paper at the instructor's discretion.

See attached course syllabus for details on how these readings would be used as part of the overall curriculum.

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# International Finance

ECON 346-W01 TTh 11:30 a.m. – 1:00 p.m.

Spring Semester 2005

Instructor: Dr. Jack Julian  
213-B McElhaney Hall  
Phone: 724-357-4771  
Email: [jjulian@iup.edu](mailto:jjulian@iup.edu)  
AIM Screen Name: CinciDood

Office Hours: MW 2:30-4:00 p.m.  
TTh 10:00-11:00 a.m.  
& by appointment

blog: <http://comparativeadvantages.blogspot.com/>

## *Course Description*

An analysis of the international financial system and policy issues related to world economic interdependence. Topics include exchange rate determination, balance of payments adjustments, and monetary and fiscal policies in the open economy. European Monetary Union and issues of development and transition are also included. Prerequisite Prerequisites: ECON 121 and 122 or instructor permission.

## *Text and readings*

Carbaugh, Robert J. 2004. *International Economics*, 9/e. Thomson/South-Western. ISBN 0-324-15994-3

Supplementary materials are available online from the publisher. You will need to register for these "Xtras!" Only purchasers of new texts will have access to these materials for no additional charge. If you purchase a used version of the text you will have to purchase access at <http://carbaughxtra.swcollege.com>. You are not required to register or purchase these materials.

Reading a quality newspaper such as the *New York Times* or *The Wall Street Journal* will be beneficial. Student subscriptions are often available at a very reasonable price. The instructor will help you with obtaining a discounted subscription to the *WSJ* (\$32 for 15 weeks).

Additional readings to supplement homework assignments and class discussion may be assigned during the semester. These will be made available on the web, at the library, or from the instructor.

## *Preparation and Expectations*

You are expected to exhibit competence of introductory economics (Econ 121 and Econ 122). It is crucial that you have met both prerequisites. You are expected to have a basic understanding (or at least familiarity) with simple algebra and geometry. Graphical analysis and equations are indispensable tools of the trade. Tools are used to set up and manipulate economic models, which are useful for simplifying and explaining relationships among meaningful economic variables. Since laboratory experiments are not at our disposal, we will rely on assumptions and reason, with simplified examples to reinforce ideas. However, real world data will be examined when appropriate and available. This course is renowned to be rigorous and challenging. It is in your best interest to make sure you come to class and contribute to the discussion.

## ***Evaluation***

You will be evaluated based on your performance on the following:

### **Tests (60%)**

There will be three tests and a final exam.

Test 1 (15%): Thursday, February 3, 2005

Test 2 (15%): Thursday, March 3, 2005

Test 3 (15%): Thursday, March 31, 2005

Final exam (15%): Tuesday, May 3, 2005, 12:30–2:30 p.m.

The tests are likely to be essay or problem oriented, but a few multiple-choice questions may be included. Conflicts with test dates must be discussed with the instructor in advance. The final is considered to be semi-comprehensive. The way to interpret this is that the final will focus on the last part of the course material; however, some concepts that are learned in earlier weeks of the course cannot be neglected. You will be expected to have a firm grasp of all material learned during the course.

### **Problem sets and writing assignments (35%)**

There will be five homework assignments, each worth 6 percent of your grade.

- Most of these will consist of problems to be written up and turned in for grading
- Article reviews
- Technical analysis

At least two assignments may require additional readings or research beyond the text book. You may be required to write up a two-page composition in response to readings or findings. Specific readings and guidelines will be expressed in the assignment handout. You will have at least one week to complete an assignment. You will receive suggested solutions to any problem sets. Expected due dates: January 27, February 17, February 24, March 24, and April 14.

### **Participation (5%)**

Five percentage points are allocated to class participation. This includes regular attendance. In-class activities and exercises may be used to monitor participation and attendance. *You are expected to be in every class and prepared to discuss the material.* You should keep up with the readings in the text. Regular attendance will keep you from asking "What chapter are we in?"

### **Extra Credit**

You should not expect any extra credit assignments, however there may be a few opportunities outside of class to view films or participate in events. There is no guarantee on quantity or quality. Extra credit is offered at the discretion of the instructor only.

**Grades:** The following percentage scale should be used as a guideline: A: 90–100, B: 80–89.9, C: 70–79.9, D: 60–69.9; F: 59.9 and lower. Any rescale will be to the benefit of the students, however, students consistently earning less than 50% on assignments should not expect to pass the class.

You are expected to turn in assignments on time and be present at all tests and exams. Excused absences, extensions, and make up tests are at the sole discretion of the instructor and should be arranged in advance (be prepared to discuss and present documentation). Please allow one week for scoring and returning of any assignments.

Students are expected to submit work in line with accepted standards of academic honesty. If you feel any of your efforts may cross the line of academic dishonesty, please consult the instructor. All cases of academic

dishonesty will be dealt with according to the guidelines of "Academic Integrity Policy and Procedures" in the student handbook (*The Source*), and pp. 33–36 *Undergraduate Catalog 2004–2005*.

**Civility:** Students should be familiar with and conduct themselves in the manner presented in the section "Class Disruptions", *Undergraduate Catalog 2004–2005*, p. 36.

### *Tentative Outline*

In a continuing effort to refine this course and to discuss topics newsworthy and of particular interest, it is difficult to have a specific outline for this course that can be adhered to. In light of this, you may use the following outline as a guide. However, it is very important that you come to class regularly to be aware of the pace of and the order of the material should adjustments be made

- I. Introduction: The Balance of Payments and National Income Accounts  
Readings: Carbaugh Chapter 11 (It's good to read chapter 1 for an overview.)
- II. Introduction: Foreign Exchange and Foreign Exchange Markets  
Readings: Carbaugh Chapters 12–13
- III. Exchange–Rate Regime and Balance of Payments  
Readings: Carbaugh Chapters 14–15
- IV. History of International Monetary Arrangements  
Readings: Carbaugh Chapter 16 and other readings TBA
- V. Modern Monetary Arrangements (EMU and Optimum Currency Areas)  
Readings: Carbaugh Chapter 16 and other readings TBA.
- VI. Monetary and Fiscal Policy in Open Economies  
Readings: Carbaugh Chapter 17
- VII. Problems, Policies and Prospects for the World Economy  
Readings: Carbaugh Chapter 18

***This outline is subject to change. Come to class and pay attention!***

***Beware of teachable moments!*** From time to time the instructor may substitute a topical discussion with tangential relevance because:

- Items in the news warrant such a discussion
- The instructor feels your well-being would be increased by such a discussion
- Sufficient interest on a topic seems to prevail in class

Such discussions are for your general edification and enjoyment!

- This course will be as interesting as you help make it. If you come prepared to discuss ideas with open minds and challenge the instructor and each other with interesting thoughts and opinions, this class will be an enlightening experience. If you sit quiet and just listen to the instructor then we are all going to be bored and frustrated. Let's do what we can to make this a positive academic experience.

*"The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists." – Joan Robinson*

## The Fruits of Free Trade

Federal Reserve Bank of Dallas, 2002 Annual Report

W. Michael Cox and Richard Alm

The article may be found at the following link: <http://www.dallasfed.org/fed/annual/2002/index.html>

*This article is viewable in \*.html or \*.pdf formats. You are advised to download the \*.pdf format as it contains many photos, diagrams, and tables that are missing from the \*.html document. The relevant pages of the report are pages 3–24.*

Assignment:

Write a 2–3 page<sup>1</sup> review of the article. In addition to summarization of the main points, your paper might consider some of the following questions or issues for critical analysis<sup>2</sup>:

- How are gains from trade likened to alchemy? Is it any mystery at all?
- Why are people generally unfazed, moreover, even delight in our ability to specialize in our jobs and trade with each other by going to the market, yet we are reticent to apply the same principles further to trade across borders? Is there a fallacy that is generally applied but people fail to realize? Explain.
- Why might we expect to see a high positive correlation (relationship) between population and per capita income?
- Foreign competition forces domestic producers to keep their costs and their prices down. What is the impact on the domestic producer of an imported good? What is the impact on the consumer? Should we value one group's impact over the other (producers v. consumers)? Explain.
- Are there any issues or comments made by the authors that you find either particularly enlightening or disturbing? Explain.

*Your grade will be on an integer scale of 6 (best) to 0 (no credit). Assessment is based on how well you've handled the assignment and expressed your ideas. The grader reserves the right to not read beyond three pages of text. You should expect point loss if you have an excess of four grammar or spelling errors.*

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<sup>1</sup> Double-spaced, 10 to 12 point font, Times or similar. This is a 10-point Times font.

<sup>2</sup> You should not feel limited by this list, nor should you feel you need to discuss all items on this list. However, the fewer discussion points addressed, the more thorough and thoughtful should be your discussion.

**Assignment #2**

**Due Thursday, February 17, 2004**



Reading: "In Praise of Cheap Labor", Paul Krugman, *Slate*, March 20, 1997.

The following links each should get you to the reading.

<http://www.pkarchive.org/trade/smokey.htm>

<http://web.mit.edu/krugman/www/smokey.html>

Write a 2–3 page paper addressing the following issues:

- While admitting that wages and working conditions in export-oriented manufacturing industries in the less developed countries (LDCs) are appalling, Krugman argues that these industries are a big improvement over the previous conditions of rural poverty. Explain.
- What examples does Krugman cite for benefits of export-led economic growth in newly-industrializing countries?
- According to Krugman, the case for higher wages and better working conditions is shortsighted. Explain.
- In Krugman's judgement, the alternatives to a trade-based development policy in the LDC's are problematic. Explain.

*For well-informed arguments, you ought to have also read Chapter 3 in Pop Internationalism and understand Heckscher–Ohlin and factor–price equalization arguments (Chapter 4 in Carbaugh).*



### Summary Chart for Writing Assignments\*

A. Writing Assignments					
Assignment Title	# of Assignments	# of total pages	Graded (Yes/No)	Opportunity for Revision (Yes/No)	Written Assignment represents what % of final course grade
article #1 review #3 #5	3	6 to 9	Yes	Yes 2 of 3	5% each 15% total
Technical #2 writing & research #7	2	4 to 6	Yes	Yes (both)	5% each 10% total
Problem #4 Solving #7	2	varies due to equations 3+ each	Yes	No	5% 10% total
Totals	7	approx 15-20	NA	NA	35%

### B. Examinations (Complete only if you intend to use essay exams/short answers as part of the required number of pages of writing.)

Exams	Approx.% of exam that is essay or short answer	Anticipated # of pages for essay or short answer, or approx. word count	Exam constitutes what % of final course grade
1.	66%	4 blue book pages	20%
2.	66%	4 blue book pages	20%
3.	100%	8 blue book pages	20%
Totals		14 blue book pages	60%

\*Total writing assignments should contain at least 5000 words (approximately 15-20 typed pages) in two or more separate assignments; written assignments should be a major part of the final grade—at least 50% or more.



## ***ECON 345-W01: International Trade*** ***Spring Semester 2004 TTh 9:45-11:15 a.m.***

Instructor: Prof. Jack Julian  
MCL 204-B  
Phone: 724-357-4771  
Email: [jjulian@iup.edu](mailto:jjulian@iup.edu)  
AIM Screen Name: CinciDood

Office Hours: MWF 10:00-11:00 a.m.  
TTh 2:00-3:00 p.m.  
& by appointment

### ***Course Description***

A study of the microeconomic segment of international specialization and exchange, including theories of international trade and their application to commercial policies, historical survey and examination of current problems of international trade, and the institutional setting of international trade. **Prerequisites:** ECON 121 and 122 or instructor permission. This course is also designated writing intensive.

### ***Text and readings***

Carbaugh, Robert J. 2004. *International Economics, 9/e*. Thomson/South-Western. ISBN 0-324-15994-3

Supplementary materials are available online from the publisher. You will need to register for these "Xtras!" Only purchasers of new texts will have access to these materials for no additional charge. If you purchase a used version of the text you will have to purchase access at <http://carbaughxtra.swcollege.com>. You are not required to register or purchase these materials.

Krugman, Paul. 1997. *Pop Internationalism*. MIT Press. ISBN 0-262-61133-3

Reading a quality newspaper such as the *New York Times* or *The Wall Street Journal* will be beneficial. Student subscriptions are often available at a very reasonable price. The instructor will help you with obtaining a subscription to the *WSJ*.

Additional readings to supplement homework assignments and class discussion may be assigned during the semester. These will be made available on the web, at the library, or from the instructor.

### ***Preparation and Expectations***

You are expected to exhibit competence of introductory economics (Econ 121 and Econ 122). It is crucial that you have met both prerequisites. You are expected to have a basic understanding (or at least familiarity) with simple algebra and geometry. Graphical analysis and equations are indispensable tools of the trade. Tools are used to set up and manipulate economic models, which are useful for simplifying and explaining relationships among meaningful economic variables. Since laboratory experiments are not at our disposal, we will rely on assumptions and reason, with simplified examples to reinforce ideas. However, real world data will be examined when appropriate and available. This course is renowned to be rigorous and challenging. It is in your best interest to make sure you come to class and contribute to the discussion.

## ***Evaluation***

You will be evaluated based on your performance on the following:

### **Tests (60%)**

There will be three tests. The first test is on Tuesday, February 10; the second is Tuesday, March 23; the final exam is Thursday, April 29 (10:15 am–12:15 pm, the scheduled final exam period). Each test and the final are worth 20 points. Since this is a writing-intensive course, the tests are likely to be essay or problem oriented, but a few multiple-choice questions may be included. Conflicts with test dates must be discussed with the instructor in advance. The final is considered to be semi-comprehensive. The way to interpret this is that the final will focus on the last part of the course material, however, some concepts that are learned in earlier weeks of the course cannot be neglected. You will be expected to have a firm grasp of all material learned during the course.

### **Problem sets and writing assignments (35%)**

This course has been designated as writing intensive. There will be seven homework assignments, each worth 5 percent of your grade. These will consist of research or analytical papers (approximately 2–3 pages each) or problems to be written up and turned in for grading. Some may require additional readings or research beyond the text book. You will have at least one week to complete an assignment. You will receive suggested solutions to any problem sets.

### **Participation (5%)**

Five percentage points are allocated to class participation. This includes regular attendance. In-class activities and exercises may be used to monitor participation and attendance. *You are expected to be in every class and prepared to discuss the material.* You should keep up with the readings in the text. Regular attendance will keep you from asking “What chapter are we in?”

### **Extra Credit**

You should not expect any extra credit assignments, however there may be a few opportunities outside of class to view films or participate in events. There is no guarantee on quantity or quality. Extra credit is offered at the discretion of the instructor only.

**Grades:** The following scale should be used as a guideline: A: 90–100, B: 80–89.9, C: 70–79.9, D: 60–69.9; F: 59.9 and lower. Any rescale will be to the benefit of the students, however, students consistently earning less than 50% on assignments should not expect to pass the class.

Students are expected to submit work in line with accepted standards of academic honesty. If you feel any of your efforts may cross the line of academic dishonesty, please consult the instructor. All cases of academic dishonesty will be dealt with according to the guidelines of “Academic Integrity Policy and Procedures” in the student handbook (*The Source*).

## ***Tentative Outline***

*This is only a guideline. It is likely to change. Tests will cover only material/chapters discussed in class up to that point.*

***Part I:*** Introduction to the international economy. Foundations of modern trade theory. (Carbaugh chapters 1–4)

***Test 1 (Tuesday, February 10)***

***Part II:*** Commercial and industrial policy (Carbaugh chapters 5–7)

***Test 2 (Tuesday, March, 23)***

***Part III:*** Regional trading arrangements. Applications for economic development. Multinationals. (Carbaugh chapters 8–10; Krugman chapters 9–11)

***Final Exam (Thursday April 29, 10:15–12:15)***

## ***Instructor's Comment***

This course will be as interesting as you help make it. If you come prepared to discuss ideas with open minds and challenge the instructor and each other with interesting thoughts and opinions, this class will be an enlightening experience. If you sit quiet and just listen to the instructor then we are all going to be bored and frustrated. Let's do what we can to make this a positive academic experience.



*Writing Assignment #1 Due Tuesday, January 27, 2004*

## The Fruits of Free Trade

Federal Reserve Bank of Dallas, 2002 Annual Report

W. Michael Cox and Richard Alm

The article may be found at the following link: <http://www.dallasfed.org/fed/annual/2002/index.html>

*This article is viewable in \*.html or \*.pdf formats. You are advised to download the \*.pdf format as it contains many photos, diagrams, and tables that are missing from the \*.html document. The relevant pages of the report are pages 3-24.*

Assignment:

Write a 2-3 page<sup>1</sup> review of the article. In addition to summarization of the main points, your paper might consider some of the following questions or issues for critical analysis<sup>2</sup>:

- How are gains from trade likened to alchemy? Is it any mystery at all?
- Why are people generally unfazed, moreover, even delight in our ability to specialize in our jobs and trade with each other by going to the market, yet we are reticent to apply the same principles further to trade across borders? Is there a fallacy that is generally applied but people fail to realize? Explain.
- Why might we expect to see a high positive correlation (relationship) between population and per capita income?
- Foreign competition forces domestic producers to keep their costs and their prices down. What is the impact on the domestic producer of an imported good? What is the impact on the consumer? Should we value one group's impact over the other (producers v. consumers)? Explain.
- Are there any issues or comments made by the authors that you find either particularly enlightening or disturbing? Explain.

*Your grade will be on an integer scale of 5 (best) to 0 (no credit). Assessment is based on how well you've handled the assignment and expressed your ideas. The grader reserves the right to not read beyond three pages of text. You should expect point loss if you have an excess of four grammar or spelling errors.*

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<sup>1</sup> Double-spaced, 10 to 12 point font, Times or similar. This is a 10-point Times font.

<sup>2</sup> You should not feel limited by this list, nor should you feel you need to discuss all items on this list. However, the fewer discussion points addressed, the more thorough and thoughtful should be your discussion.



## Assignment #2

Due Tuesday, February 3, 2004

*This is a research-based assignment. You can probably find all the information you need from a good news magazine or newspaper. You may need to spend a few hours researching for relevant articles, but the articles should be reasonable in length.*

Assignment: Search for newspaper or magazine articles that discuss recent developments in a particular nation's export performance, focusing particularly on major export products.

What insights can you draw regarding this country's comparative advantage in international trade?

From your readings, is there any evidence regarding strategies used by specific countries to strengthen their existing comparative advantages or to develop new comparative advantages in trade? Do they appear to be effective?

*You should write approximately two-to-three pages, summarizing the articles, but mostly focusing on the comparative advantages.*

*You should adequately cite the news article(s) in your paper.*

### Research tips:

- Use Google first, then try other search engines.
- Choose your keywords carefully. If some set of keywords do not yield any information, try a different combination. The words "comparative advantage" are not likely to be used in any article. Something like "increased exports China" would.
- Hopefully you can find more than one article for the good or country. Also, choose a country that might interest you.
- Applications for gains from trade are applicable to much more than the U.S.
- Cite examples or figures from the articles.
- Try to find readings that are trustworthy, if not scholarly. The Wall Street Journal and New York Times may be very good, as are Newsweek, Time, Business Week and US News & World Report. Other foreign press is likely to be a very good source and frequently offer readings in English. The National Enquirer or something obviously partisan may not be very informative.

*Opportunity for revision: Please submit a draft (email or hard copy) to the instructor by noon, Friday, January 30. Instructor comments will be available by noon on Monday, February 1.*

## Assignment #3

Due Thursday, February 17, 2004



Reading: "In Praise of Cheap Labor", Paul Krugman, *Slate*, March 20, 1997.

The following links each should get you to the reading.

<http://www.pkarchive.org/trade/smokey.htm>

<http://web.mit.edu/krugman/www/smokey.html>

Write a 2–3 page paper addressing the following issues:

- While admitting that wages and working conditions in export-oriented manufacturing industries in the less developed countries (LDCs) are appalling, Krugman argues that these industries are a big improvement over the previous conditions of rural poverty. Explain.
- What examples does Krugman cite for benefits of export-led economic growth in newly-industrializing countries?
- According to Krugman, the case for higher wages and better working conditions is shortsighted. Explain.
- In Krugman's judgement, the alternatives to a trade-based development policy in the LDC's are problematic. Explain.

*For well-informed arguments, you ought to have also read Chapter 3 in *Pop Internationalism* and understand Heckscher-Ohlin and factor-price equalization arguments (Chapter 4 in Carbaugh).*

*Opportunity for revision: Please submit a draft (email or hard copy) to the instructor by noon, Monday, February 14<sup>th</sup>. Instructor comments will be available by 5:00 p.m. on Tuesday, February 15<sup>th</sup>.*



## Assignment #4

Due Thursday, March 4, 2004

This assignment focuses on the discussion and readings related to Heckscher–Ohlin, factor–price equalization, and Rybczynski's theorems. In the spirit of this being a writing–intensive course, write up your answers clearly and concisely. Use tables, equations, and diagrams to explain your answers. All tables, equations and diagrams should be fully explained. You are expected to type your responses. Diagrams may be hand drawn. For tables you should use Microsoft Word's table menu and tools. For equations you should use Microsoft Word's Equation Editor. (*Insert--Object...--Microsoft Equation 3.0*). *There are NO revision opportunities for this assignment.*

Problems 1–5 are related.

1. The country of Utopia is endowed with 100 labor units and 75 capital units. Idealand is endowed with 75 labor units and 50 capital units. Which country is relatively labor abundant and which is relatively capital abundant?
2. Suppose that, at the current level of production, sandwiches require 1 labor unit and 0.5 capital units to produce, while bicycles require 0.9 labor units and 0.9 capital units. Based on this information, which of the two goods is relatively capital intensive in its production process? Which of the two goods is relatively labor intensive in production? Explain.
3. Suppose Utopia's and Idealand's residents begin to trade. Which good will Utopia's residents export and which good will Utopia's residents import? Explain your answer in the context of the Heckscher–Ohlin theorem.
4. Based on your finding in (3), under autarky will Utopia or Idealand have the higher price of sandwiches relative to bicycles? Which has the higher price of bicycles relative to sandwiches? Under autarky, which country has the higher wage rate relative to the rental rate of capital? Explain how the wage rate relative to the rental rate of capital adjusts when the residents of the two countries begin to trade.
5. Based on your answer to (3), explain how free trade between the residents of Utopia and Idealand benefits or harms workers and the capital holders in the two countries.
6. The emerging economies of East Asia experienced considerable inflows of capital during the early 1990s. According to the Rybczynski theorem, how would an increase in East Asia's resident's' capital endowments affect their pattern of trade? Do you think the economic growth that took place in East Asia during the early 1990s made the residents of East Asian countries more or less likely to engage in trade with residents of other countries?





## Assignment #5

Due Tuesday, April 6, 2004

### WTO: Friend or Foe?

Riots and rhetoric were prominent features of the meetings of the World Trade Organization (WTO) held in Seattle November 30-December 3, 1999. Since then the Seattle incident has been regarded as a call to action. Protests garnering much media attention have followed meetings of the WTO and other trade policy organizations such as the World Bank and the International Monetary Fund. This assignment will expose you to some of the issues at the root of the conflict.

You should read the following short article and a few related articles. All of them are rather brief and are simple to read.

#### Main article:

"Enemies of the WTO" by Paul Krugman, *Slate*, November 23, 1999.  
(<http://Slate.msn.com/default.aspx?id=56497>)

Krugman refers to an advertisement by the **Turning Point Project**, which appeared in the *New York Times* on November 15, 1999. The ad is a large \*.pdf page viewable with Acrobat Reader.  
(<http://www.turnpoint.org/globalad1.pdf>)

However, you may not be able to (or wish to) print the ad as it is the size of two newspaper pages. You can read the text of the advertisement by clicking here: ([http://www.turnpoint.org/monoculture\\_text.txt](http://www.turnpoint.org/monoculture_text.txt))

#### Related readings:

Be sure to check out the articles that are hotlinked at the bottom of the Krugman article in *Slate*.

Also: Paul Krugman, *Pop Internationalism*, Chapter 4: Does Third World Growth Hurt First World Prosperity?

#### Paper guidelines (2-3 pages, typewritten, double-spaced):

- Briefly describe three main points of contention between the Turning Point ad and Krugman's response in "Enemies of the WTO."
- What are two interesting arguments or facts that you learned from these readings? Explain why you find these interesting.
- Do you really think that the world is headed for a global monoculture? Is this a legitimate or a bogus fear? What are some things that will encourage this? What are some things that will retard such a development?
- In what respects is free trade a result of competition? In what ways is it cooperative? Can both forces coexist? Explain
- To what extent, if any, has your opinion on any of these issues been challenged, changed, or strengthened?
- What is your opinion of free trade and the WTO from reading these (or any other) articles?

*At this point, the evaluation standards are higher. Be very attentive to grammar, spelling, and reasonable arguments. Your comments and arguments should be supported by examples from readings.*

*Revision opportunity: Please submit draft (email or hardcopy) by noon, Friday, April 2<sup>nd</sup>. Feedback will be provided by noon, Monday April 5.*



## Assignment #6

Due Tuesday, April 13, 2004

This assignment is a problem set. There are no revision opportunities on this assignment.)

1. Which arguments for trade protection do you feel are most relevant in today's world? Which arguments do you feel are most compelling? Which arguments can you most easily attack? (You should discuss several of these reasons. Not just two.)
2. (Carbaugh, p. 152–153, problem 16) Assume that the United States, as a steel importing country, is large enough so that changes in the quantity of its imports influence the world price of steel. The U.S. supply and demand schedules for steel are in the table below.

Carefully diagram the demand and supply schedules (use graph paper or Excel)

Price/Ton	Domestic Quantity Supplied	Quantity Supplied (Domestic + Import)	Quantity Demanded
\$100	0	0	15
200	0	4	14
300	1	8	13
400	2	12	12
500	3	16	11
600	4	20	10
700	5	24	9

- a. What is the free trade price? How much is consumed by US residents? How much is imported? How much is produced domestically?
- b. To protect its producers from foreign competition, suppose the US government levies a specific tariff of \$250 per ton on steel imports
  - i. Graphically show the effect of the tariff on the supply schedule of steel.
  - ii. With the tariff, what happens to the domestic price of steel? How much steel is consumed? How much is produced domestically? How much is imported?
  - iii. Calculate the reduction in US consumer surplus due to the tariff. Calculate the deadweight loss.
  - iv. By reducing the volume of imports with the tariff, how does the world price of steel change? Be specific.
  - v. What impact does the tariff have on overall welfare in the US?



*Assignment #7*

*Due Thursday, April 22, 2004*

Creative writing topic:

Write a position paper on free trade. Suppose you are making a speech to a group of people whom you know have not had much study of economics. How would you argue that free trade benefits them? You can imagine some fears or misguided thinking. How would you respond to their fears?

You should NOT use any diagrams! Your audience won't understand them!

- Please, 3 pages maximum. (You can't bore your audience.)
- All arguments should have examples or theoretical support.
- You will be evaluated on your curiosity, discussion, insight, and reasoning.

*If you wish to have the instructor review a draft, please submit or email by Monday, April 19! I will provide feedback by 5:00 p.m. Tuesday, April 20.*



Test #2

Tuesday, March 23, 2004

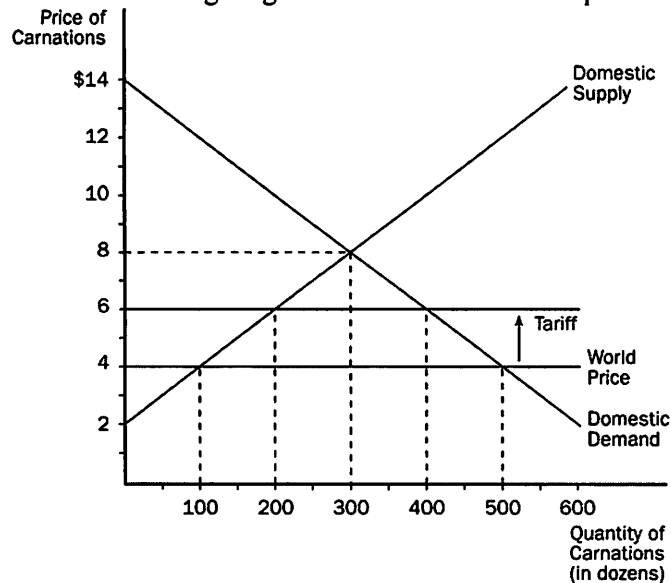
*This test consists of two parts. Total points: 45*

**Part I. Multiple Choice.** Circle the letter corresponding to the best answer. (One point each. Total points this section: 15 points)

1. The trade model of the Swedish economists Heckscher and Ohlin maintains that
  - A. Absolute advantage determines the distribution of the gains from trade
  - B. Comparative advantage determines the distribution of the gains from trade
  - C. The division of labor is limited by the size of the world market
  - D. A country exports goods for which its resource endowments are most suited.
  
2. Hong Kong is relatively abundant in labor, while Canada is relatively abundant in capital. In both countries the production of shirts is relatively more labor intensive than the production of computers. According to Heckscher and Ohlin, Hong Kong will have a(n):
  - A. Absolute advantage in the production of shirts and computers
  - B. Absolute advantage in the production of computers
  - C. Comparative advantage in the production of shirts
  - D. Comparative advantage in the production of computers
  
3. Suppose Country A has a labor force of 1,000 units and capital stock of 4,000 units. Country B has a labor force of 2,000 units and a capital stock of 5,000 units. It can be said that
  - A. Country A is relatively capital abundant
  - B. Country A is relatively labor abundant
  - C. Country B is relatively capital abundant
  - D. Country B is relatively labor abundant and relatively capital abundant
  
4. From the previous problem, if the two countries specialize in the goods in which they have the comparative advantage, the factor-price equalization theorem would suggest that in Country A,
  - A. Wages would rise and price of capital will fall
  - B. Wages would fall and the price of capital will rise
  - C. Both wages and capital costs will rise
  - D. Both wages and capital costs will fall
  
5. The principal benefit of tariff protection goes to
  - A. Domestic consumers of the good
  - B. Domestic producers of the good
  - C. Foreign producers of the good
  - D. Foreign consumers of the good
  
6. Suppose that the United States *eliminates* its tariff on steel imports, permitting foreign-produced steel to enter the U.S. market freely. Steel prices to U.S. buyers would be expected to
  - A. Increase, and the foreign demand for U.S. exports would increase
  - B. Decrease, and the foreign demand for U.S. exports would increase
  - C. Increase, and the foreign demand for U.S. exports would decrease
  - D. Decrease, and the foreign demand for U.S. exports would decrease

7. Economies of scale exist when goods
- can be produced at low cost only if they are produced in large quantities.
  - that are identical can be produced at a lower cost than diversified products.
  - are produced by countries which have a comparative advantage in that product.
  - are produced by the lowest cost firm.

Use the following diagram to answer the next 4 questions

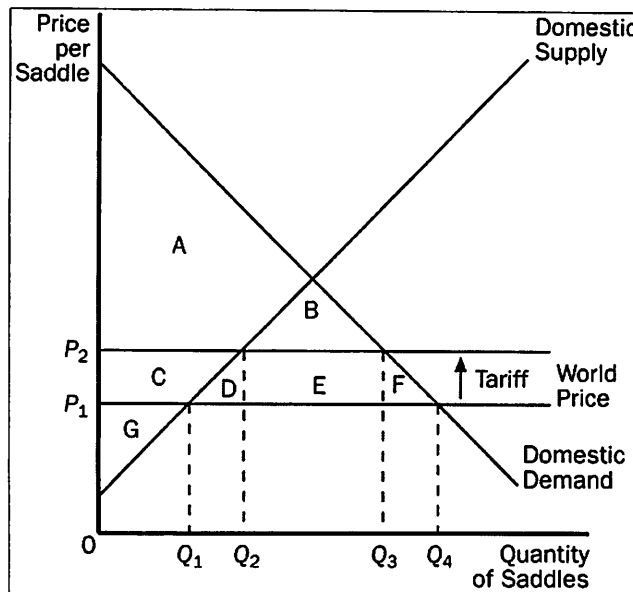


8. According to the graph, without trade (autarky), the equilibrium price of carnations would be
- \$8 and equilibrium quantity would be 300.
  - \$6 and equilibrium quantity would be 200.
  - \$6 and equilibrium quantity would be 400.
  - \$4 and equilibrium quantity would be 500.
9. According to the graph, with free trade
- the domestic price will equal the world price.
  - carnations will be sold at \$8 in this market.
  - this country will import 200 carnations.
  - there will be a shortage of 400 carnations in this market.
10. According to the graph, before the tariff is imposed, this country will
- import 200 carnations.
  - import 400 carnations.
  - export 200 carnations.
  - export 400 carnations.
11. According to the graph, imposing a tariff on carnations
- increases imports by 100.
  - increases imports by 200.
  - reduces imports by 200.
  - reduces imports by 400.

12. In the figure shown, consumer surplus with free trade would be
- A.
  - A + B.
  - A + C + G.
  - A + B + C + D + E + F.

13. In the figure shown, consumer surplus after the tariff would be
- A.
  - A + B.
  - A + C + G.
  - A + B + C + D + E + F.

14. In the figure shown, as the tariff is imposed, producer surplus changes from \_\_\_\_\_.
- G to C + G
  - C to G.
  - G to C + G + D.



D. none of these are correct since producer surplus is unchanged.

15. In the figure shown, as a result of the tariff, deadweight loss would be
- E.
  - B.
  - D + F.
  - B + D + E + F.

**Part II. Short Answer.** Answer *two* of the following *three* problems. Use diagrams if appropriate to supplement your argument. Write your answers in the blue books provided. Each problem is worth 15 points. *It is expected that you construct well-argued responses with appropriate examples or diagrams. Full credit is reserved for responses that embrace these goals.*

- When a country imposes a tariff on the importation of a good, economic inefficiencies develop that detract from the economy's overall welfare. Using a production possibilities frontier diagram, show this welfare reducing effect and explain the inefficiencies that develop.
- Explain how the international movement of goods tends to promote equalization in factor prices (wages and returns to capital). You should make use of Heckscher-Ohlin and factor-price equalization theorems in your discussion.
- Boeing and Airbus both manufacture commercial aircraft. It is argued that this industry exhibits economies of scale. Suppose there is a new aircraft underdevelopment and both firms are able to produce it. Construct an argument that suggests only one firm should develop and produce this new aircraft. Would it matter who develops and markets the aircraft first? Suppose the U.S. and/or the European Union decides to subsidize their home aircraft producer. How might this effect the firms' decisions to develop and produce the new aircraft.

## *Final Exam Questions*

## *International Trade*



Thursday, April 29, 2004

The final exam consists of three of the following five problems.

- The three will be chosen randomly at the beginning of the exam period.
  - Use of calculators or cell phones are NOT be permitted during this exam since information may easily be stored and retrieved on such devices.
  - Write your answers in the blue books provided.
1. Suppose that policymakers eliminate tariffs on imported pharmaceuticals. For a specific drug, the tariff was originally \$0.60 per unit and the domestic price with the tariff in place was \$2.90. Now under free trade, the domestic price is \$2.50. With the tariff, the domestic quantity demanded was 14 million units and domestic quantity supplied was 6 million. Now under free trade, the domestic quantity demanded is 20 million, and the domestic quantity supplied is 4 million.
    - A. Is the country in question a large country or a small country? Explain your answer.
    - B. Illustrate this example in a supply and demand framework for the home country and the international market.
    - C. What is the value of the gain to the domestic consumers due to the removal of the tariff?
    - D. What is the value of the loss to the domestic producers due to the removal of the tariff?
    - E. What is the value of the loss of tariff revenue due to the removal of the tariff?
  2. If the United States is a net importer of a good that is being subsidized or dumped by Japan, not only do US consumers gain, but they gain more than U.S. producers lose from the Japanese subsidies or dumping. Explain why this is true.
  3. To what extent have the traditional arguments that justify protectionist barriers actually been incorporated into U.S. trade legislation?
  4. How can the practice of international dumping yield higher profits than a uniform pricing strategy? Use a price-discrimination model to explain your answer.
  5. Tariffs and quotas have similar effects on trade. However, when there is an increase in demand for such a protected good, the impact on consumers, revenue, and deadweight loss differ.
    - A. Show the effect of an increase in demand for a good that is protected by a tariff.
    - B. Show the effect of an increase in demand for a good that is protected by a quota.
    - C. Compare the welfare effects of the two.

**Writing Summary**  
**ECON 345 – International Trade**  
(submitted by Jack D. Julian, Jr., Department of Economics)

The following proposal describes a writing-intensive course in International Trade Theory.

Typically five to six short (2–4 page) writing assignments would be chosen from among the following three types of assignments. These assignments would constitute approximately 35–45% of the grade (total).

**1. Article reviews**

Reading news articles or articles published in professional journals provide content outside the instructor's lecture and discussion and the readings in the text book. Given the limited time for discussion in class, such articles can provide extended thoughts on ideas presented in class or the text. In addition they can offer different approaches and viewpoints as alternatives to the points of view of the instructor/text book author.

A review of the assigned reading(s), which include a summary and a critical analysis of the content, allows for the student to express her understanding of the assigned reading and her ability to synthesize the reading with the discussions of related information in class. A list of discussion points will accompany the assignment to guide the students' critical analysis of the material.

Evaluation is based on how clearly the material is summarized and how sophisticated the analysis.

**2. Research and technical writing**

Understanding of international trade requires the ability to make sense of economic data. Particularly in this course reference is made to the balance of payments accounts (a summary of international transactions) and exchange rate data. Higher order understanding of these measures will come from interpreting raw data as presented by government statistics (or other data reporting agencies). The student should be able to spot trends and differences across time, category, and in comparison between countries. The student will need to not only report the data but to describe patterns and trends. The student will also need to relate these observations to economic theory (as discussed in class or the text).

Evaluation is based on how clearly the data is summarized and how sophisticated the analysis.

**3. Problem solving**

The student would be given an assignment presenting a real or hypothetical situation in which they are to make a prediction or draw a conclusion. It is required that the student clearly depict the situation, clarify any assumptions, employ a particular theory or idea, and draw a conclusion and make a prediction. The systematic thinking requires more than a calculation or an algebraic manipulation (although that may be employed as well), it requires clear articulation of the chain of events or transmission mechanism involved



in solving the problem. I.e., a chain of events causing movements in related markets will require not only a diagrammatic analysis but an accompanying discussion that clearly explains the changes and predictions/conclusions.

Evaluation is based on how rigorously the theory has been applied and articulated.

**Other writing:**

- Homework assignments often employ end-of-chapter exercises that will include some discussion.
- Quizzes, tests, and other examinations will have some writing component, usually about two short answer problems similar to a homework problem.

**Comments:**

Longer papers (term papers) can be an option for some classes. Typically writing brief papers accomplishes the goals of learning by writing. Shorter papers also provide more breadth, rather than depth of discussion. These goals can be traded off by others who, if qualified, teach this W-designated course. Whereas the assignments above would not necessarily involve reviewing a draft and opportunity given for rewriting, certainly longer papers can have this component. Students lacking quality writing skills may have an opportunity to resubmit a paper at the instructor's discretion.

See attached course syllabus for details on how these readings would be used as part of the overall curriculum.



ECON 345-W01

Test #1

Tuesday, February 10, 2004

*This test is composed of two parts. Part I is multiple-choice (10 points total, one point each). Part II consists of two problems, 10 points each. Total points: 30*

**Part I. Multiple Choice.** Circle the letter corresponding to the best answer.

1. A primary reason why countries conduct international trade is because
  - A. some countries prefer to produce one thing while others produce other things
  - B. resources are not equally distributed among all trading nations
  - C. trade enhances opportunities to accumulate profits
  - D. interest rates are not identical in all trading countries
  
2. Free traders maintain that an open economy is advantageous in that it provides all of the following *except*
  - A. increased competition for world producers
  - B. a wider selection of products for consumers
  - C. the utilization of the most efficient production methods
  - D. relatively high wage levels for all domestic workers
  
3. International trade in goods and services tends to
  - A. increase all domestic costs and prices
  - B. Keep all domestic costs and prices at the same level
  - C. Lessen the amount of competition facing home manufacturers
  - D. Increase the amount of competition facing home manufacturers
  
4. In the United States, automobiles are
  - A. Imported, but not exported
  - B. Exported, but not imported
  - C. Imported and exported
  - D. Neither exported nor imported
  
5. According to the principle of comparative advantage, specialization and trade increase a country's total output since
  - A. resources are directed to their highest productivity
  - B. the output of the country's trading partner declines
  - C. the country can produce outside of its production possibilities curve
  - D. the problem of unemployment is eliminated
  
6. A country that gains from trade will find its consumption point being located
  - A. Inside its production possibilities curve
  - B. along its production possibilities curve
  - C. outside its production possibilities curve
  - D. none of the above

7. When a closed economy opens to trade the price of goods will change. If the price of a good goes up
  - A. The country will be an exporter of the good and they will consume more of the good
  - B. The country will be an importer of the good and they will consume more of the good
  - C. The country will be an exporter of the good and they will consume less of the good
  - D. The country will be an importer of the good and they will consume less of the good
  
8. Suppose a country produces two goods: wheat and automobiles. Without trade, a country achieves autarky equilibrium by
  - A. Emphasizing production according to its comparative advantage
  - B. Producing equal amounts of goods such as wheat and automobiles
  - C. Employing half of its labor force in wheat production and the other half in automobile production
  - D. Producing and consuming at the point where the highest achievable indifference curve is tangent to its production possibilities curve
  
9. The marginal rate of substitution along an indifference curve
  - A. Is constant for all combinations of wheat and automobiles
  - B. Shows that after consumers accept less wheat for more automobiles, they will give up less wheat for even more autos
  - C. Shows that after consumers accept less wheat for more automobiles, they will give up more wheat for even more automobiles
  - D. Determines a country's comparative advantage
  
10. A "community" indifference curve is intended to show
  - A. What percentage of a country's people are indifferent to trade with other countries
  - B. How much of one good must be given up in order to produce one more unit of another good
  - C. Combinations of consumer goods that would provide equal satisfaction for members of that community or country
  - D. In which product a country has a comparative advantage

**Part II. Problems.** Write up answers to the problems as indicated. Use the blue book provided. Be sure to answer all parts of the problems to be eligible for full credit.

**You MUST do problem 1.**

1. Use the following information to illustrate Ricardo's principle of comparative advantage.

In England, 6 units of labor are required to produce 1 unit of food, while it takes 8 units of labor to produce 1 unit of clothing. Germany can produce 1 unit of food with 2 units of labor and can produce 1 unit of clothing with 4 units of labor. Each country has 48 units of labor available.

- A. What is the opportunity cost of each country to produce food?
- B. What is the opportunity cost of each country to produce clothing?
- C. Draw production possibilities curves for each country. Why are the PPCs linear?
- D. Which country has a comparative advantage producing food? Explain.
- E. Which country has a comparative advantage producing clothing? Explain.
- F. Give an example of a barter exchange between food and clothing that would bring about mutually beneficial trade between England and Germany. Show these combinations on the PPCs in C.

**Write up answers to *one* of the following two problems.**

2. Suppose the country of Roosterplaz imports cranberries and exports widgets, but produces some of each good. Because of favorable weather conditions abroad (but not at home) there is an increase in the supply of cranberries in the world market. What would you expect to happen to the world price of cranberries? What would happen to Roosterplaz's production and consumption of cranberries and widgets? Can Roosterplaz be made better off? Use increasing cost production possibilities and indifference curves to demonstrate your answer. (*Hint: Start with an initial situation where Roosterplaz is maximizing social utility. Then show how the changes in production and consumption on the same diagram. Be careful to explain your diagram, showing the initial production and consumption points and the new production and consumption points.*)
3. Suppose the country of Britonia produces two goods books and coffee. Britonia has a comparative advantage in coffee and exports much of their output. Because of the combination of technological improvements in planting and harvesting, as well as very favorable weather conditions, the coffee crop this year is especially bountiful, resulting in a reduction in the world price of coffee. Using increasing cost production possibilities curves and indifference curves, show the effect of this coffee abundance for Britonia. (Keep in mind that the PPC will shift because of the increased productivity of coffee [and only coffee].) Is it possible that Britonia might be made worse off because of the abundance of coffee? Explain.