

Naval Postgraduate School
National Security Affairs
International Economics

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Spring Term 2022
NS3040

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COURSE OUTLINE

Texts

Charles Wheelan, **Naked Economics: Undressing the Dismal Science**, Norton, 2010, revised and updated (required).

Kimberly Clausing, **Open, The Progressive Case for Free Trade, Immigration and Global Capital**, Harvard University Press, 2019 (required)

Supplemental

Jim Eggert, **Invitation to Economics**, Mayfield Publishing, Company, 1991 (on the website).

Ken Heydon, **The Political Economy of International Trade**, Polity Press, 2020 (Sakai under Resources -- supplemental texts)

David Moss, **A Concise Guide to Macro Economics**, Second Edition, Harvard Business Review Press, 2014 (Sakai under Resources - supplemental texts)

Readings from Project Syndicate, Foreign Affairs, Wall Street Journal, and Financial Times in Sakai under Resources and appropriate tab.

Class Objective: Develop a framework for understanding key economic events and trends. Prepare students to actively participate in discussions/studies involving economic concepts. In the course, students will be introduced to the range of methods and practices for conducting research and developing findings within the field of international economics.

Course Organization

As a remote course, we will be in synchronous mode using Zoom. This is a lecture-based class, so I do not think there will be that much difference between it and the regular residence class.

When teaching the residence class, I like to connect the course as much as possible to current economic events and developments, so each class will start with a brief discussion of these issues. I think we should continue this practice in synchronous mode.

This is an interesting time with the state of the economy facing inflation and a possible prolonged slowdown. Trade is under attack and anti-globalization forces appear to be in the ascendancy. Other issues like the economic fallout from Russia's invasion of Ukraine, Brexit, the Chinese economic slowdown and economic transformation, and the US government's finances, seemingly out of control, are evolving and hard to assess. No doubt, other items will come along, so there will be plenty to discuss. As for now, some of the questions we will investigate include:

- Is globalization responsible for the rise of populism in the West?
- How will trade wars impact the global economy?
- How will supply chains evolve given Russia's threat to the West
- What political and institutional factors are responsible for banking panics, currency crashes and sovereign defaults?
- Do multinational corporations pose a threat to state sovereignty?
- Will the renminbi or euro replace the dollar as the principal international currency?
- Do Western countries dominate international economic institutions, such as the International Monetary Fund (IMF)
- What are the problems and prospects for China's Belt and Road Initiative?

To understand these issues, we will rely on economic fundamentals. The profession divides into two main parts – microeconomics and macroeconomics. Microeconomics lays the foundation of an economy by developing a framework to understand markets and the behavior of firms and individuals in those markets. From this framework, we can better understand why international trade takes place and assess the benefits and costs of that trade. Other issues examined with these microeconomic tools include US trade policy, economic integration (NAFTA), illegal (drug) trade, and sanctions.

Macroeconomics looks at the economy as a whole. Its main application is economic stabilization – why do business cycles (recessions) occur and the proper government response to offset economic fluctuations? With a macroeconomic framework, we can better understand the US balance of payments (external accounts with the rest of the world), the workings of the international financial system, and the role of international institutions (International Monetary Fund) in that system.

The last part of the class will focus on the current economic crisis and the international financial crisis in 2008-09. Factors underlay these crises, and how might government policy speed up the recovery?

This class can be relatively flexible, and I am always open to topics to include – just let me know if issues come up that you feel should be included.

In terms of the mechanics of the class, I have put the supplemental texts in our Sakai site under resources – supplemental texts. I have my own website, and the readings outside of the books will be posted there. The site is https://www.relooney.com/3040_nc63.html

Just scroll down the page to the current class date. There, you will find links to that day's readings. I am updating the readings, so from time to time, you will find some of the

older ones gone, and new ones added. I will always try to keep several weeks ahead if you want to read in advance.

On the web page, I will list the important ones and those that are interesting but not essential. Every once and a while, you will find an article with (midterm or final) next to it. These articles will be the basis of a question on the midterm (or final). If you want to look at the PowerPoint lectures before I give them, click on "PowerPoint Class Lectures" at the top of the page. This is a good place to start if you don't have time to read all assigned articles/chapters.

Eventually, I will put a link "materials for the midterm exam" these will list the chapters and articles that are the basis of the exam questions. You will have a choice of any four (out of 60 or so items), so you can focus on the areas of most interest – that way the course can help you focus on your needs and interests.

Several options for a grade are summarized on the last page. I would like to give you as many options as possible, so three are listed. This will be a large class of over 25 students, and while I encourage discussion and comments, you will not be graded on class participation.

As for office hours, I know all of you have different schedules and constraints. If you would like to talk, just send me an email at relooney@nps.edu, and we can set up a convenient time for a Zoom meeting.

A final note, some of you joined the class late.

This means you will probably not be included in our Sakai site. If you find you cannot access the course in Sakai, just send me an email, and I will add you to the list.

ASSIGNMENTS

The assignments below are mainly from the texts – the required and supplemental books listed above. The main book, Clousing, provides a good background for most of the main issues, but it will be supplemented extensively by the papers posted on the website under "readings for the next class." All the documents and references that we will need for the course can be found on the website. The Wheelan book provides a good overview of economic thinking with some applications of economics to contemporary issues. It will be used primarily as the basis of some of the questions on the mid-term and final examinations, and class discussion. Because it is easy to update the website, if there is any discrepancy between this list and the website, the website is correct.

Note – if there are any inconsistencies between the assignment on the website and this list, the website has the correct set of readings

Introduction (March 28)

(website readings)

Wheelan, forward, introduction

Basic Microeconomic Concepts (March 30)

Eggert, chapters (website).
Wheelan, Chapter 1.

Topics in Microeconomics--Markets and Competition (April 4, 6)

(website readings)
Eggert, chapters (website)
Wheelan, Chapters 2, 3, 4

Introduction to the Theories of International Trade (April 11)

(website readings)
Clausing, Chapter 1
Heydon, Chapter 1
Wheelan, Chapter 5

Modern Theories of Trade (April 13)

(website readings)
Wheelan, Chapter 6
Clausing, Chapter 2, 3
Sachs, Chapter 8

Protectionism -- Tariffs and Non-Tariff Barriers (April 18)

(website readings)
Eggert, chapter 18.
Wheelan, Chapter 7
Clausing, Chapter 3, 4

Trade Agreements, Environment and US Policy—GATT/WTO (April 20)

(website readings)
Heydon, Chapter 4

Economic Security, Global Competition, United States Trade Policy (April 25)

(Website readings)

Economic Integration--North America/Europe (April 27)

Website Readings
Clausing, Chapter 5

Sanctions (May 2)

Website Readings
Wheelan, Chapters 11, 12

MIDTERM EXAMINATION (May 4)

Balance of Payments, Introduction to Exchange Rates (May 9)

Website Readings
Clausing, Chapter 6
Moss (Sakai), Chapter 6

Determinants of Exchange Rates (May 11)

Website Readings
Moss (Sakai), Chapter 7

Introduction to Macroeconomics/Payments Adjustment (May 16, 18)

Website Readings
Moss (Sakai) Chapters 1, 2, 3
Eggart, chapters on website.
Wheelan, Chapters 9, 10
Clausing, Chapter 7

International Monetary System (May 23)

Website readings
Moss (Sakai) Chapter 4
Clausing, Chapter 8

Global Financial Institutions – IMF, World Bank (May 25)

Web-page readings
Clausing, Chapter 9

The Global Crisis and Current Developments (June 6, 8, 13)

Web-page readings
Clausing, Chapters 10, 11, 12
Sachs, Chapter 9
Posen, Chapter 10

FINAL EXAMINATION (June 14, 8-10).

Course Grade

There are several options for a course grade:

Midterm and Country/Topic Paper (20 or so pages) --50% each

Midterm and Final Examination--50% each

For those who are thinking about a thesis with some economic content, there is the option of a major research paper (30 or so pages)—100%

The midterm and final are short essay exams. You have two hours to complete each and then email me your answers. However, international officers may take the exam as a take-home exam to be returned in three days.