

NORTH PARK UNIVERSITY
SCHOOL OF BUSINESS AND NONPROFIT MANAGEMENT

SBNM 5211
GLOBAL ECONOMICS

Syllabus

Fall, Quad B

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Required texts:

In addition to the text used in SBNM 5210:

Robert E. Hall and David H. Papell, John B. Taylor, Macroeconomics Economic Growth, Fluctuations, and Policy, Sixth edition, New York, W. W. Norton and Co., 2005.
ISBN: 0 393-97515-0

There is a new text for Global Economics 5211:

Global Economics, A Special Primis Publication from McGraw-Hill [based on Dennis R. Appleyard and Alfred J. Field, Jr., *International Economics*—available at the NPU bookstore.
ISBN # 0390-723-819, McGraw Hill Primus Edition.

Also available as:

Dennis R. Appleyard and Alfred J. Field, Jr., *International Economics trade Theory and policy*, Third edition (or a later edition), Boston, McGraw-Hill, Inc., ISBN: 0-256-17165-3

Additional readings may be selected from *Barron's*, *Bureau of Labor Statistics*, *Business Week*, *The Economist*, *Financial World*, *Federal Reserve System*, *Fortune*, *Harvard Business Review*, *IMF*, *Survey of Current Business*, *The Wall Street Journal*, *The World Bank*.

GLOBAL ECONOMICS

Global Economics begins with the further development of the IS and LM model. The model is first applied in the context of a closed economy, and then expanded to encompass an open economy. Here the effects of the trade balance, monetary policy, trade and budget deficits, and exchange rate fluctuations are explored.

The historical background of international trade is explored, and the trading system of Mercantilism is presented. Under theoretical pressure from David Hume and Adam Smith, Mercantilism gave way to free trade based on the models of absolute advantage, and comparative advantage. The Heckscher-Ohlin model then opened the way for a discussion of the global exchange of resources, and changing patterns of trade between nations. Over time in the twentieth century, the international trade has tended to increasingly focus on the key role of the multinational companies. The global competition of companies, and the strategic positioning of firms in international markets is analyzed.

Students will study models such as those developed by Leontief, MacDougall, Stolper-Samuelson, Rybczynski, Linder, Vernon, Krugman, and Porter as they relate to the testing of trade theories, or as attempts to explain the nature and effects of international trade. Analytical devices and concepts such as isoquant and isocost analysis, economies of scale, capital / labor ratios, and monopolistic competition will be presented. The effects and arguments for tariffs, the importance of intra-industry trade, as well as cultural comparisons of nations, and the international product life cycle will be explored.

The nature and goals of regional economic alliances is presented and the role played by both business and government is analyzed. The course looks at international labor markets, the role of exchange rates, and the importance of capital and technology movements across the globe. References are made to the data and analysis presented in publications of the World Bank, the IMF, the OECD, and the UN. Students will learn how the study of global economics can provide a strong set of analytical tools for ethical business decision-making.

Business decisions are significantly influenced by what happens in the global economy. Changes in exchange rates, central bank decisions and the movement of interest rates, trade alliances, and trade restrictions all have an important affect on the functioning of global business. It is essential for managers to be able to understand the impact of changes in the global economy on their day-to-day business operations.

The Learning Objectives for this course are:

1. Gain factual knowledge regarding the application of macroeconomic concepts to the global economy.
2. Learn fundamental principles and theories of international trade
3. Learn to apply course materials to improve thinking, problem solving, and decision making.
4. Acquire a basic understanding of leading theories and models of international trade.
5. Identify the major characteristics of the contemporary global economy, and the drivers of the resulting globalization process.
6. Explain the functioning of foreign exchange rate markets, and the determination of relative currency values.
7. Explain how international trade is related to the expansion of markets and foreign investment.
8. Contrast the characteristics of national economies by income, as well as by other measures of development.
9. Appraise the effects of the global competition of companies, and the positioning of firms in international markets.
10. Discuss the nature of national, regional economic alliances, the various levels of economic integration, and currency systems.
11. Apply data and studies from major international organizations (for example, the *CIA World Factbook*, the *IMF*, *OECD*, *UN*, and *World Bank*).
12. Explain how the study of global economics can provide a strong set of analytical tools for ethical managerial decision-making.

Evaluation Procedures

Review questions will be distributed before each of two examinations. The examination with the higher grade will be weighted at 60%, the lower grade weighted at 40%. Students are expected to do class readings and problems as shown in the **Reading and Assignment Guide**. In addition, students are expected to compile a comprehensive set of class notes through regular class attendance.

Two absences from class will likely reduce the student's grade one level. Three absences will mean that the student must drop the course or receive an F.

Academic Honesty

In keeping with our Christian heritage and commitment, North Park University and the School of Business and Nonprofit Management are committed to the highest possible ethical and moral standards. Just as we will constantly strive to live up to these standards, we expect our students to do the same. To that end, cheating of any sort will not be tolerated. Students who are discovered cheating are subject to discipline up to and including failure of a course and expulsion.

Our definition of cheating includes but is not limited to:

1. Plagiarism—the use of another’s work as one’s own without giving credit to the individual. This includes using materials from the internet.
2. Copying another’s answers on an examination.
3. Deliberately allowing another to copy one’s answers or work.
4. Signing an attendance roster for another who is not present.

In the special instance of group work, the instructor will make clear his/her expectations with respect to individual vs. collaborative work. A violation of these expectations may be considered cheating as well.

For further information on this subject you may refer to the Academic Dishonesty section of the University’s online catalog.

In conclusion, it is our mission to prepare each student for a life of significance and service. Honesty and ethical behavior are the foundation upon which such lives are built. We therefore expect the highest standards of each student in this regard.

Disabilities

Students with a disability who believe that they may need accommodations in this class are encouraged to contact your program’s office (Business: 773-244-6270). Please do so as soon as possible to better ensure that such accommodations are implemented in a timely manner. For further information please review the following website: <http://www.northpark.edu/ada>.

Class Attendance Policy

The graduate courses in the SBNM are all 7 weeks in length. Missing one class session is allowed without penalty as long as all readings and assignments are made up by the student within a reasonable time period (the following class session). Missing a second class session is allowed only in unusual circumstances by prior arrangement with the instructor. Since this represents over 25% of the class time for the course, the student runs the risk of receiving a lower overall grade for the class. A student who misses three classes will automatically fail the course, unless the student drops the course before the eighth week of class. Students who drop a course will be held responsible for tuition, based upon the current North Park University policy outlined in the University Catalog (found on the NPU website).

Reading and Assignment Guide

Week	Chapters in Hall and Papell	Chapters in <i>Global Economics</i>
1	7, 8, 12	1 - 3

Development of the IS and LM model; the closed economy and the open economy; foreign trade and exchange rates; the trade balance, interest rates, and the value of the dollar; the Fortune Global 500; the volume of world trade; GNI levels as measured by the World Bank.

Discussion Questions will be distributed in class

Week	Chapters in Hall and Papell	Chapters in <i>Global Economics</i>
2	18	15

Foreign exchange and the exchange rate; cross exchange rates; convergence of world economies; the international financial and monetary system; the reasons for and the effects of tariffs; Mercantilism; the specie flow mechanism; absolute advantage; comparative advantage; trading partners of the U.S.

Week	Chapters in <i>Global Economics</i>
3	4

The globalization process; drivers of globalization; purchasing power parity; Heckscher-Ohlin and the Leontief paradox; economies of scale and returns to scale; business firm expansion into foreign markets.

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Week	Chapters in <i>Global Economics</i>
4	8

The production possibilities concept; isoquant and isocost analysis; MacDougall's test of comparative advantage; Stolper-Samuelson theorem; comparisons of capital/labor ratios between nations; Krugman and monopolistic competition.

EXAMINATION 1

Week	Chapters in <i>Global Economics</i>
5	10, 11, 12, 18

Economic growth and international trade; intra-industry trade; international factor movements; types of economic systems; levels international economic integration; the EU and EMU; NAFTA.

Week	Chapters in <i>Global Economics</i>
6	continue 18

The Rybczynski theorem; expansion; Linder's demand side model; Vernon's international product cycle model; trade alliances, the international financial and monetary system; the developing economies and the role of international trade.

Week	Chapters in <i>Global Economics</i>
7	19

From the multinational corporation to the world economy; Michael Porter and the competitive advantage of nations; institutions of the world economy.

EXAMINATION 2

