**Economics 331: Introduction to Economics I**  
**Bilkent University**  
**Section 3**  
**Fall 2007**

**Instructor:** Selin Sayek  
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**Office:** MA224  
**Office Hours:** Friday 10:40 -12:10, otherwise by appointment only  
**Time:** Tuesday 10:40-11:30 and Friday 8:40-10:30  
**Classroom:** AZ27

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**Goal of course:** As the world commodity and capital markets integrate more fully, international economic relations became increasingly important topics both in the economics literature and the political arena. This course covers the causes and consequences of international exchange among countries with emphasis on national commercial policies and the interplay of international markets with the domestic markets. The main topics will address the gains from trade, the Ricardian model, the neo-classical paradigm of Heckscher-Ohlin, Samuelson, and Cass-Koopmans variety; the income distribution consequences of trade; and the new trade theories based on imperfect competition and strategic decision making.

Main issues discussed in this course include:

- Understanding why countries trade. Understanding the causes for the patterns of trade across commodities and economic agents.
- Understanding the effects of trade; in other words, asking whether countries are better off because they trade.
- Studying the income distribution effects of increased international integration.
- The role of trade policies in shaping the trade patterns. We will explore the role for "strategic" trade policy and the effects of these policy choices.
- The increasing role of multinational enterprises (MNEs), the factors that affect the geographic and sectoral distribution of these firms and their role on the host country economies.
- Exploring the free trade agreements and their effects on the countries.

**Textbook:** “International Economics: Theory and Policy” by Paul R. Krugman and Maurice Obstfeld, 6th edition. You should purchase this at the bookstore. Substantial additional material will come from other sources and will be placed on reserve in the library. It is your responsibility to check those items and make your copies.

You should be reading the national and international newspapers, and the Economist, on news related to international trade issues.

**Requirements:** The grading will consist of 1 mid-term exam, home-works, quizzes, a term project and a final exam. The breakdown of the grading is as follows:

- Midterm: 25%
- Final Exam: 35%
- Quizzes: 10%
- Home-works: 12%
- Term project: 18%

The exams schedule is set for **November 2, 2007 (Friday)**. Make sure you arrange your personal schedule around this set exam dates as **THERE WILL BE NO MAKE-UP EXAMS** given. Only those with documented medical or other emergencies may make-up a missed exam. Make-up exams and the final exam will be comprehensive.

There will be about 4 homework assignments and 5 quizzes. Late assignments will be marked down for each delayed day of submission. The scheme for the grade reduction can be found in the course web-page.

Attendance and homework are an important part of this course.
If your final exam grade is lower than 40 you will earn an F in the course, regardless of your midterm, homework etc grades. Similarly, if your final exam grade is higher than 60 you will get a passing grade in this course, regardless of your performance earlier in the class.

It is possible to get negative grades from questions. Leaving a question unanswered or making a reasonable mistake is very understandable; however, writing nonsense just to fill in an answer is not. Such answers will earn negative grades.

**Information dissemination:** The course related announcements and electronic documents will be posted on the course web-page: [http://www.bilkent.edu.tr/~sayek/eco331.htm](http://www.bilkent.edu.tr/~sayek/eco331.htm). I urge you to check the web-page as frequently as possible. For your questions please come by my office during my office hours set aside to answer your questions and to assist you. If you cannot make it to these scheduled office hours please e-mail me to schedule an appointment.

Enjoy the semester!

**Course Outline:** (additional readings)

I. **Introduction: The Subject of International Economics**
   - Read: Krugman and Obstfeld, Chp.1

II. **International exchange of commodities and gains from trade**
   - Read: Krugman and Obstfeld, Chp.2

III. **The Ricardian World: Technology, and Patterns of Trade**
   - Read: Krugman and Obstfeld, Chp. 3 (old edition Chapter 3 as well, for specific factors model)

IV. **The Neoclassical World: Factor Endowments and Patterns of Trade**
   - Read: Krugman and Obstfeld, Chp. 4

V. **The Income Distribution Consequences of International Trade**

VI. **Demand and Supply in an Open Economy**
   - Read: Krugman and Obstfeld, chapter 5

VII. **Imperfect Competition in International Trade**
    Read: Krugman and Obstfeld, chp.6

VIII **Commercial Policy and Instruments of International Trade**
   - Read: Krugman and Obstfeld, Chapters 8 and 10.

IX. **International Factor Movements**
   - Read: Krugman and Obstfeld, chp. 7

X. **Regional Trade Agreements and the Customs Union**