ECONOMICS 5360
GLOBAL ECONOMIC ENVIRONMENT FOR MANAGERS

Instructor:

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Office Hours:

Monday 4:30 – 6:00 PM
Thursday 4:30 – 6:00 PM

or by appointment.

Course Description:

This course is a required MBA core course which is designed to provide the student with an analysis of the global environment and its implications for individual, managerial, and governmental decision making. This course is intended for students not concentrating in economics and assumes the student is familiar with principles of economics.

Course Objectives:

The fundamental objective of the course is to gain an understanding of the factors that lead to changes in the pattern of world production, trade, capital flows, and macroeconomic performance. These factors include long-run changes in comparative advantage, technology, and the political-legal environment, as well as short-run factors such as changes in exchange rates and trade policy. The second objective of the course is to develop the ability to analyze the macroeconomic data and performance of countries for use as input into the managerial decision making process. An understanding of both of these objectives should enable the student to develop a frame of reference or structure with which to analyze global business problems. The ability to analyze problems in a global sense is critical in a period when much of the change in the domestic (national) market is a result of rapid changes in the world economy.
Teaching Approach and Pedagogy:

The majority of class time will be devoted to traditional lectures. A portion of class time each day will be devoted to a discussion of an assigned reading or current international economic events. Students will be expected to be prepared to discuss or answer questions on the assigned material and to keep abreast of current macroeconomic conditions in the U.S. and abroad.

Text:

Required:

Optional:
The Wall Street Journal

Study Guide and Exercises:

http://www.prenhall.com/sawyer

or

http://wps.prenhall.com/bp_sawyer_intlecom_1

Short Paper Assignments:

All students will be required to prepare and hand in the two written assignments listed below. Each paper should be from five to a maximum of eight pages of text, double-spaced, including any tables, graphs, and excluding references. The utmost care should be taken in preparing and especially proofreading the assignments before they are handed in. The style for the text and other material should follow the handouts which are attached.

The assignments are due on the dates indicated at the start of class (6:00 PM). Late papers will not be accepted. A grade of zero will be recorded for the paper assignment. The assignments will count for 15% of the final grade for the course. The reference materials for the assignments are to be drawn from economic sources available in the library and on the web, as well as from course readings. However, papers should be written individually and not in teams.

You should start immediately thinking about which country you will select to focus on, and begin looking for information about it. You should look ahead now and try not to pick a country for which it will be too difficult to get the needed data.
Grade Determination and Schedule:

The final grade for the course will be determined by the student's performance on the exams, and the paper assignments. Exams will be in class, closed book, on the dates listed below. The weights of the exams and paper assignments in determining your grade are also indicated below. A final average grade of 88%, 76%, 64% etc. will earn letters grades of A, B, C, etc.

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<tr>
<th>Exam Schedule</th>
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<tr>
<td>Exam I</td>
<td>September 29</td>
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<td>Exam II</td>
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<td>Final Exam (Comprehensive)</td>
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<tr>
<th>Paper Assignment Schedule</th>
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<tr>
<td>Paper I</td>
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<td>Paper II</td>
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<td>Paper Assignments</td>
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<td>Exam I</td>
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<td>Exam II</td>
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<tr>
<td>Final Exam (Comprehensive)</td>
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Drops:

The last day that a student may drop the course with an automatic W is October 20. The last day to completely withdrawal from the University is December 4.

Class Policies:

Attendance with a degree of pre-class preparation is the expected minimum.

Make-up exams are not given. If Exam I or Exam II is missed the Final Exam grade will be substituted for the missed exam. Also, if the Final Exam grade is greater than the grade received on Exam I or Exam II the Final Exam grade will be substituted for the lower grade.

Paper Assignments are due at the beginning of the assigned class period. Papers not are accepted after that time and a grade of zero will be recorded for the paper assignment.
Tentative Class Schedule:
Schedule for August 25, 2003
Introduction and Discussion of Course, and Handout on Papers I and II

Schedule for September 8, 2003
Introduction: An Overview of the World Economy and Why Countries Trade

Schedule for September 15, 2003
Why Countries Trade and Factor Endowments & The Commodity Composition of Trade

Schedule for September 22, 2003
Factor Endowments & The Commodity Composition of Trade

Schedule for September 29, 2003
Exam I

Schedule for October 6, 2003
Intraindustry Trade and Hand Back Exam

Schedule for October 13, 2003
International Factor Movements

Schedule for October 20, 2003
Tariffs and Paper I is due at the start of Class

Schedule for October 27, 2003
Nontariff Barriers

Schedule for November 3, 2003
Exam II

Schedule for November 10, 2003
International Trade Policy and Hand Back Exam

Schedule for November 17, 2003
Regional Trading Arrangements

Schedule for November 24, 2003
National Income Accounting and The Balance of Payments

Schedule for December 1, 2003
Exchange Rates and Their Determination and Paper II is due at the start of Class

Schedule for December 8, 2003
Final Exam (7:00PM - 9:45PM)
Format Instructions for Paper Assignments:

All Papers for the course should conform to the following format instructions:

1. Papers should be printed on one side only of standard, white, 8 ½ by 11 paper. Text should be in legible 11 point or 12 point font, double spaced, with 1 to 1 ½ inch margins.

2. Be sure that paragraphs are separated, either by indenting the first line or by extra spacing.

3. A cover page should include (only) the title of the paper, author’s name, and student ID number, the course number, and the date. The title page should not be numbered and does not count as part of the page limits.

4. Data should be presented in tables and/or graphs, with the sources of the data clearly identified. Be sure to report enough information about the data so that it can be understood, including the date(s) and place(s) to which it refers and the units of measurement.

5. List all sources in a bibliography at the end of the paper. References to sources in the text, tables, and figures should be done by author, date, and perhaps page only (e.g., Sawyer and Sprinkle (2003, p. 32); WTO (2001a)). Items in the bibliography should follow a consistent format of your choice, and the may be single-spaced. But, do indent all lines of each entry after the first, to make them easy to see the author. Also, be sure to provide the web address (URL) for anything from the web.

6. All text pages must be numbered. Numbering of any separate pages of tables and graphs is desirable, but optional.

7. Do not use covers or binders on the papers. Attach the pages only by a staple in the upper left-hand corner.
Paper I:

Choose a country (other than the United States or Mexico) and present and describe data on its international trade for the most recent year available. You should include information about the levels of exports and imports (and thus the trade deficit or surplus) as well as the commodity composition and geographic distribution of the country’s trade. For both exports and imports you should cover both goods and services.

The first part of the paper is purely descriptive. There is no need to explain anything but, do your best to make your descriptions as easy to understand as possible, using clearly formatted tables and/or graphs as you think appropriate.

In the second part of the paper, analyze the determinants of the composition of its trade in goods and services. That is, your purpose here is to explain why your chosen country exports and imports the particular goods and services that it does. For this purpose you should use at least some of the theories of international trade that we have studied in the course, as well as anything else that you think may be particularly special about your subject country.

Use available data on national factor endowments, technology, market structure, government policies, etc. of your subject country, compared to other countries, to explain its trade. Thus, for any of these that seem relevant, you will need to provide tables and/or graphs of data showing how your country compares to others, and then accompany that with text explaining why that matters and how it shows up in the country’s trade.

Structure of Assignment:

1. See “Instructions for Papers” and be sure to follow all of the guidelines.
2. The paper should be between 5 and 8 pages long – definitely no longer than 8 pages including any tables and graphs. I will quit reading at the bottom of page 8.
3. The text of the paper should explain what the reader should learn from any accompanying tables and graphs. Do not just provide the data and leave it at that.
4. Organize the material clearly, dividing the paper into short, labeled sections on the different topics that you deal with.
5. The paper should include the following elements:
   - A cover sheet (unnumbered, and does not count as part of the page limit)
   - Introduction – a short paragraph stating the purpose of the paper
   - Sections presenting your findings on exports and imports
   - Sections presenting your explanations for the trade patterns and the empirical support that you have found for them
   - Conclusion – another paragraph summarizing what you found
   - List of Sources (not everything you may have looked at, but only what you actually took information from)
6. Tables and graphs may be presented along with the text or on separate pages at the end, as you prefer or find more convenient.
For the country chosen in Paper Assignment I (or another country, if you prefer, so long as it is not the United States or Mexico), document and describe the use of trade policies in recent years, and earlier if you can find information, and document and describe the macroeconomic condition of the subject country.

That is, first present information on average levels of tariffs on the country's imports, over time if possible, indicating which sectors have the highest and lowest levels of tariff protection. Also present whatever information you can about other trade policies that the country uses, such as quotas, import licensing, export subsidies, etc. and also any preferential trading arrangements in which the country participates. Second, present information for the most recent year available and for the period 5 years earlier on GDP, growth of GDP, inflation, the balance of payments, and the exchange rate of the subject country versus the U.S. dollar.

Then analyze whether your country's trade policies seem to be successful? And, can you identify other policies that are feasible for the country that would work better in achieving these same objectives? This discussion can be purely verbal, through if you can illustrate it using an economic model, that too would be a nice addition.

Finally, analyze whether your country's macroeconomic economic conditions are favorable for foreign direct investment by a U.S. multinational firm within the subject country. This discussion can be purely verbal, through if you can illustrate it using an economic model, that too would be a nice addition.

Structure of Assignment:

1. See “Instructions for Papers” and be sure to follow all of the guidelines.
2. The paper should be between 5 and 8 pages long – definitely no longer than 8 pages including any tables and graphs. I will quit reading at the bottom of page 8.
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4. Organize the material clearly, dividing the paper into short, labeled sections on the different topics that you deal with.
5. The paper should include the following elements:
   - A cover sheet (unnumbered, and does not count as part of the page limit)
   - Introduction – a short paragraph stating the purpose of the paper
   - Information on and explanation of the trade policies.
   - Information on and explanation of the macroeconomic conditions.
   - An Evaluation of the trade policies.
   - An Evaluation of the macroeconomic conditions in light of foreign direct investment.
   - Conclusion – another paragraph summarizing what you found
   - List of Sources (not everything you may have looked at, but only what you actually took information from)
6. Tables and graphs may either be presented along with the text or on separate pages at the end, as you prefer or find more convenient.