

ECON 391E International Economics

Course description, goals and methodology

Never has the study of international economics been as crucial to understanding the real world as it is today. At the outset of the XXI century, countries find themselves far more closely integrated, from any point of view, than they have ever been before. Over the last decade, the global economy has posed many new aspects, from the reaction arisen against globalization to the unprecedented financial crises occurred in the last years. This subject is intended for the student to become familiar with the most relevant concepts and methods of analysis in the field of international economics and for him/her to be able to carry out a rigorous analysis of the main phenomena coming about in the current global economy.

The main objectives of this course are:

1. Enhance the comprehension of the general economic framework from an international viewpoint.
2. Provide the fundamental tools for analyzing the global economy.
3. Delve deeper in the main features of the world economy.

Over his/her professional career, the average student will have to make decisions within the economic environment in which the firm operates. Hence, it is essential that he/she understand and know how to deal with the economic atmosphere in which the firm is inserted. For that reason, he/she needs to acquire a set of knowledge competences, as well as those having to do with capacities and attitudes concerning the analysis of economic relations among the distinct economic agents: consumers, firms and the government. The subject "International Economics" pertains to the set of courses that address those relationships. The study of international trade and finance has always been an active and controversial strand of economics. The majority of the key reflections that the modern economic analysis allows for stem from the debates over international trade and monetary policy that took place in XVIII and XIX centuries. Notwithstanding, never before has the study of international trade been more important than it is today. Through the international trade of goods and services and the international money flows, economies all over the world are more closely integrated than ever before. At the same time, the world economy is going through a very turbulent period, more than ever before.

Keeping up with the changes occurring in the world economy greatly concerns firms and governments in shaping their strategies and economic policies. International Economics makes use of the same fundamental tools of analysis as the other strands of economics, because the motivation and the economic agents' behaviour are the same both at the international and national levels.

Then, why is it important to have a course that digs deeper into the knowledge and analysis of the international aspects regarding trade relations? The reason is that international economics involves new and different concerns since international trade and foreign investment take place among independent nations. That is why a special analysis of the international economic relations, by using different tools and theories, needs to be undertaken. As far as the firm is concerned, this is a fundamental task in the current economic environment characterized by the occurrence of globalization and the processes of economic integration, like the European Union.

This subject represents the highest possible level attained by students within this set of economics subjects. This subject in turns provides the student with a basic background to go deeper into the international dimension of the firm at a graduate level. As regards to students' professional careers, its main interest lies in the possibility of students furthering their abilities to acquire a firm grasp of how the business activity works in the current economic environment within which international economic relations become essential.

Recommendations or Prerequisites

Essential prerequisites: In order to take this course, it is essential to have passed both macro and microeconomics and have knowledge of consumer theory, production theory and the macro magnitudes, as well as be familiar with the graphical and analytical tools relative to those concepts.

Recommendable prerequisites: It is advisable to have basic computer skills so as to be able to handle data, process texts and search for information by browsing on the Net.

Learning Objectives

At the conclusion of this course students will:

1. Know the main theories that account for the trade relations among countries.
2. Know the main trade policy's main tools.
3. Know the International Financial System.
4. Know the main International Economic Institutions.
5. Know the most basic theories which explain the determination of the nominal exchange rate.
6. Know the relationships between exchange rates and external competitiveness of an economy.
7. Know what the processes of Economic Integration are and which economic effects they have.

Required Texts

Krugman, P. et al. (2014): *International Economics: Theory and Policy* (10th Edition, Pearson).

Lebre de Freitas, M. (2015): *The Dependent Economy Model* (http://sweet.ua.pt/afreitas/aulas/MacroMSC/The%20dependent%20economy%20model_vfinal.pdf).

Recommended Texts

Feenstra, R. and Taylor, A. (2015): *International Economics* (2nd Edition, Worth Publishers).

Salvatore, D. (2013): *International Economics* (13th Edition, Wiley).

Van Marrewijk, C. (2012): *International Economics* (2nd Edition, OUP).

WEBS:

- <http://www.voxeu.org/> Columns summing up academic articles.
- www.economist.com - analytical articles on world economic/political affairs
- www.ft.com – Financial Times, international news, economy, corporate activities, shares
- www.oecd.org - Organisation for Economic Co-operation and Development
- www.imf.org - International Monetary Fund
- www.nytimes.com - World news, critical editorials
- www.worldbank.org/ - World Bank
- <https://www.cia.gov/library/publications/the-world-factbook/> - Central Intelligence Agency: The World Fact Book

General Course Policies

Please keep your cell phones in silent at all times, and avoid their use except as a calculator.

Strictly no food to be consumed in class.

Course Requirements and Grading

Your final grade will be calculated according to the following system:

- 20% mid-term exam
- 30% final exam
- 35% final project
- 15% Class participation quizzes and extra assignments

Every day, during the first 10-15 minutes of class I will invite you (and of course consider it in your 15% participation grade) to bring lecture-related articles from magazines, newspapers or any source that you wish, and share them with the rest of your classmates.

Quizzes or similar assignments will be given to make sure that you are on track.

Attendance and Punctuality

Attendance is mandatory. More than 3 unexcused absences will result in the lowering of the final grade. Students with more than 2 such absences may not challenge the final grade received. Punctuality is required – lateness will be penalised by 0.5 (over 15 mins) or 1 absence (over 30mins).

Academic Dishonesty

Academic integrity is a guiding principle for all academic activity at Pablo de Olavide University. Cheating on exams and plagiarism (which includes copying from the internet) are clear violations of academic honesty. A student is guilty of plagiarism when he or she presents another person's intellectual property as his or her own. The penalty for plagiarism and cheating is a failing grade for the assignment/exam and a failing grade for the course. Avoid plagiarism by citing sources properly (using footnotes or endnotes and a bibliography).

Students with Disabilities

If you have a disability that requires special academic accommodation, please speak to your professor within the first three (3) weeks of the semester in order to discuss any adjustments. It is the student's responsibility to provide the International Center with documentation confirming the disability and the accommodations required (if you have provided this to your study abroad organization, they have most likely informed the International Center already but please confirm).

Behavior Policy

Students are expected to show integrity and act in a professional and respectful manner at all times. A student's attitude in class may influence his/her participation grade. The professor has a right to ask a student to leave the classroom if the student is unruly or

appears intoxicated. If a student is asked to leave the classroom, that day will count as an absence regardless of how long the student has been in class.

Class Schedule

Part 1: International Trade Theory

Chapter 1: World Trade: An Overview

Chapter 2: Labor Productivity and Comparative Advantage: The Ricardian Model

Chapter 3: Specific Factors and Income Distribution

Chapter 4: Resources and Trade: The Heckscher-Ohlin Model

Chapter 5: The Standard Trade Model

Chapter 6: External Economies of Scale and the International Location of Production

Chapter 7: Firms in the Global Economy: Export Decisions, Outsourcing, and Multinational Enterprises

Part 2: International Trade Policy

Chapter 8: The Instruments of Trade Policy

Chapter 9: The Political Economy of Trade Policy

Part 3: Exchange Rates and Open-Economy Macroeconomics

Chapter 10: National Income Accounting and the Balance of Payments Chapter

11: Real Exchange Rate Equilibrium: the Dependent Economy Model