

INTERNATIONAL ECONOMICS

Number of sessions: 30

Length of each session: 1,5 h

Total length of the module: 45 hours

OBJECTIVE

This course will concentrate mainly on the trade aspect of international economics, while certain monetary aspects will be discussed superficially when debating the case studies.

PREREQUISITES

Basic microeconomics and basic macroeconomics course, and elementary calculus are necessary to fully appreciate the content of this course.

REQUIRED TEXTS

Krugman, K. and Obstfeld, M. (2002) [International Economics: Theory and Policy \(6th Edition\)](#)

Salvatore, D. (2004) International Economics. Wiley (8th edition).

CONTENT

1. Introduction: The importance of International Economics
 - 1.1 International trade theory
 - 1.2 Mercantilist views on trade
 - 1.3 Trade based on absolute advantage: Adam Smith
 - 1.4 Trade based on comparative advantage: David Ricardo
 - 1.4.1 The Law of Comparative Advantage and gains from trade
 - 1.4.2 Exception to the Law of Comparative Advantage
 - 1.5 Comparative advantage and opportunity cost
2. The standard theory of international
 - 2.1 Production frontier with increasing cost
 - 2.2 Reasons for increasing opportunity costs and different production frontiers
 - 2.3 The basis for and the gains from trade with increasing costs
 - 2.4 The gains from exchange and from specialization
 - 2.5 Trade based on differences in tastes
3. Demand, Supply, Offers Curves, and the Terms of Trade
 - 3.1 The equilibrium relative commodity price with trade – Partial Equilibrium analysis
 - 3.2 Origin and definition of offer curves

- 9. International trade and economic development
 - 9.1 Trade theory and economic development
 - 9.2 The terms of trade and economic development
 - 9.3 Export instability and economic development
 - 9.4 Import substitution versus export orientation
 - 9.5 Current trade problems and demand of developing countries
 - 9.6 Demand for a New International Economic Order

Grading system:

Term paper	50%
Exam	50%