

ECON 391E International Economics

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Office Hours: Monday 12:00-14:00

Course information:
Fall 2022
Monday and Wednesday
10:30-11:50

Course Description

Nothing illustrates better than the COVID-19 pandemic how movements of people, flows of data, and commerce connect our interdependent world. Because pathogens do not respect national borders, the SARS-CoV-2 virus caused a global economic shock and a worldwide downturn, sending governments throughout the world scrambling for policies to stop the spread of the disease while supporting their economies. Many lessons will be drawn from the recent pandemic experience, but one is the importance of an international perspective for analyzing events of worldwide economic significance and countries' responses (Krugman et Alia, 2022).

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 beginning of the XXI century. This course 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.

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 understands and knows 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 course "International Economics" belongs to the set of courses that addresses these 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 unique turbulent period. Keeping up with the changes occurring

in the world economy greatly concerns firms and governments in shaping their strategies and economic policies.

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 course represents the highest possible level attained by students within this set of economics courses. This course 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 students' professional careers, its main interest lies in the possibility of students receiving a bunch of abilities in order for them to get a good grasp of how the business activity works in the current economic environment within which international economic relations become essential.

Course Goals and Methodology

The purpose of this course is to equip students with intellectual tools for understanding the economic implications of global interdependence. This course "International Economics" will introduce students to both classical and modern theories of international trade in goods and services, as well as to the basics of international macroeconomics. A lot of attention will be devoted to applying these frameworks to real-world economies. In addition to studying these basic theoretical models, we will also see how these models behave empirically.

To be more concrete, 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.

As regards methodology, this course follows the same approach as other branches of economics, namely, abstract reasoning mainly consisting of graphical analysis (although the analytical approach will be used when necessary), as well as the study of empirical evidence and the real world through country cases and applications. So we will first see the main models that are well accepted in the literature and that are suitable for a course like this, and will then examine whether their predictions hold empirically.

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 most basic theories and concepts which explain the determination of the real exchange rate.
4. Know the main concepts and tools used to analyze an open economy.

Required Texts

- Krugman, P. et al. (2022): *International Economics: Theory and Policy* (12th or recent editions, Pearson).

Recommended Texts

- Feenstra, R. and Taylor, A. (2015): *International Economics* (2nd Edition, Worth Publishers).
- Markusen, Melvin, Kaempfer and Maskus (1994): *International Trade: Theory and Evidence* (<http://spot.colorado.edu/~markusen/textbook.html>).
- Salvatore, D. (2013): *International Economics* (13th Edition, Wiley).
- Van Marrewijk, C. (2012): *International Economics* (2nd Edition, OUP).
- Some articles and readings will be provided by the teacher during the course.

Press articles from: *Economist*, *Financial Times*, *New York Times*, the *Guardian*

Some webs you may useful:

- www.economist.com - analytical articles on world economic/political affairs
- www.ft.com – Financial Times, international news, economy, corporate activities, shares
- www.guardian.co.uk - UK daily, broad range of national/international news articles
- www.ictsd.org - International Centre for Trade and Sustainable Development
- www.imf.org - International Monetary Fund
- www.nytimes.com - World news, critical editorials
- www.unctad.org - United Nations Conference on Trade and Development
- www.worldbank.org/ - World Bank
- www.wto.org/ - World Trade Organization

Course Requirements and Grading

Assessment for the course consists of **two written exams** (a **MIDTERM** and a **FINAL**), and also a **portfolio**. **Participation** will also be taken into account.

As part of **formative assessment**, students must elaborate a **portfolio** (individually) that will consist in a collection of the student's class notes with the main objective of evaluating the student's understanding of the course. This project should be written by hand and the following will be assessed:

- The content of the project must be adjusted to the issues of the course.
- Clarity both in writing and in mathematical and graphic expressions.
- Adequate structure.
- Coherency and consistency in the way the notes are written.

As of **PARTICIPATION**, students will be required to complete **reading activities, summarize articles** outside the class and to actively **participate in class discussions**. Just attending to class does not count as participation.

The distribution of the final grade is the following:

- Midterm Exam 20%
- Portfolio 30%
- Final Exam 30%
- Participation 20%

General Course Policies

Leaving the classroom: Leaving the classroom on repeated occasions is disturbing to both your professor and your classmates and may adversely affect your participation grade. Please make use of the 10 minute breaks in between classes to fill up your water bottle, use the restroom, etc.

Punctuality and tardiness: Arriving late to class is disruptive to both the professor and your classmates. Please be punctual as your professor may count your late arrival as half of an absence or simply close the door, not let any late students in and consider it as one full absence.

Communicating with instructor: Please allow at least 48 hours for your instructor to respond to your emails. The weekend is not included in this timeframe. If you have an urgent request or question for your professor, be sure to send it during the week.

Attendance and Absentee Policy

Attendance is mandatory at all classes. As we understand that you might fall ill or be unable to come to class (e.g. due to a religious holiday, a flight delay, a family wedding/reunion, a graduation, a job interview, etc.) at some point during the semester, you are allowed up to 4 absences. You will be responsible for the material covered and any work missed. You will not need to justify your absences (up to 4) in any way unless you miss an exam, a presentation, a quiz, etc. In this case, you must present a doctor's note (signed, stamped and dated) to be able to reschedule the exam, etc. It will still count as an absence but you will be allowed to retake the exam, etc. We don't encourage you to use all 4 days unless you really need them as your participation grade may suffer if you are not in class. If used unwisely and you get sick late in the semester, the following penalties will apply:

- On your 5th absence, 1 point will be taken off of your final Spanish grade

- On your 6th absence, 3 points will be taken off of your final Spanish grade
- On your 7th absence, 5 points will be taken off of your final Spanish grade

For classes that meet once a week, each absence counts as two. For classes that meet daily, the penalties outlined above apply if you go over 6 absences (7th absence=5th absence above). Exams missed due to an excused absence must be made up within a week of returning to classes. Talk to your professor immediately after your return.

Academic Honesty

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 and a bibliography, and not cutting and pasting information from various websites when writing assignments.

Learning accommodations

If you require special accommodations, you must stop by the International Center to speak to Rubén (the Faculty coordinator: rdialop@acu.upo.es) to either turn in your documentation or to confirm that our office has received it. The deadline is September 26th. Rubén will explain the options available to you.

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. Cell phone use is not allowed and animals (except seeing-eye dogs) are not permitted in the classrooms.

Course contents

International trade

Unit 1: Introduction

Unit 2: The Ricardian model

Unit 3: The Specific Factor Model: International labor mobility

Unit 4: The Heckscher-Ohlin model

Unit 5: The Standard trade model

Unit 6: Trade and economies of scale

Unit 7: The Instruments of trade policy

International Macroeconomics (TIME PERMITTING)

Unit 8: Basics of open economies.

Class Schedule*

International trade

14th September – Introduction.

International trade

19th September – The Ricardian model.

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 3 – PPT slides

21st September – The Ricardian model

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 3 – PPT slides

23rd September – The Ricardian model. Exercises and applications.

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 3 – PPT slides

26th September – The Ricardian model. Exercises and applications.

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 3 – PPT slides

28th September – International labor mobility

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 4 – PPT slides

3rd October – International labor mobility

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 4 – PPT slides

5th October – International labor mobility. Exercises and applications.

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 4 – PPT slides

10th October – International labor mobility. Exercises and applications.

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 4 – PPT slides

17th October – The Heckscher-Ohlin model

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 5 – PPT slides

19th October – The Heckscher-Ohlin model

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 5 – PPT slides

24th October – The Heckscher-Ohlin model. Exercises and applications.

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 5 – PPT slides

26th October – MIDTERM EXAM

2nd November – The Standard trade model

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 6 – PPT slides

7th November – The Standard trade model

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 6 – PPT slides

9th November – The Standard Trade model. Exercises and applications.

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 6 – PPT slides

14th November – The Standard Trade model. Exercises and applications.

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 6 – PPT slides

16th November – External Economies of Scale

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 7 – PPT slides

21st November – Firms in the Global Economy

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 8 – PPT slides

23rd November – Economies of Scale. Exercises and applications.

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 7&8 – PPT slides

28th November – Instruments of trade policy

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 8 – PPT slides

30th November – Instruments of trade policy

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 9 – PPT slides

5th December – Instruments of trade policy. Exercises and applications.

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 9 – PPT slides

International Macroeconomics (TIME PERMITTING)

7th December – Basics of open economies.

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 13 – PPT slides

12th December – Basics of open economies.

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 14 – PPT slides

14th December – Basics of open economies. Exercises and applications.

Class notes

Krugman-Obstfeld-Melitz (2022) Ch. 19 – PPT slides

15th-20th December - FINALS

Holidays

- **Wednesday, October 12 – Día de la Hispanidad. No classes will be held**
- **Monday, October 31: “Puente”. No classes will be held**
- **Tuesday, November 1: All Saint’s Day. No classes will be held**
- **Tuesday, December 6: Día de la Constitución. No classes will be held.**
Thursday December 8: Día de la Inmaculada. No classes will be held.

**this syllabus may be course to change*