

## ECON 391E International Economics

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**Office Hours:** Monday 12:00-13:00

### Course Information

Fall 2018

Tuesday & Thursday

13:30 till 14:50

### Course description:

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.

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 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 main goal of this course "International Economics" is to 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. A lot of emphasis will be devoted to the analysis of columns and articles where the student will have to apply the theoretical concepts learned in class.

### **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 which explain the determination of the real exchange rate.
4. Know the relationships between exchange rates and external competitiveness of an economy.

### **Required Texts**

Krugman, P. et al. (2011): *International Economics: Theory and Policy* (9th or more recent edition, Pearson).

Rigobón, R. (2018): ***Managerial International Macroeconomics***

(<http://web.mit.edu/rigobon/www/download/mim.pdf>)

### **Recommended Texts**

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

Lebre de Freitas, M. (2018): Capital Flows and the Real Exchange Rate

(<http://sweet.ua.pt/afreitas/aulas/notas%20apoio/tnt.pdf>)

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).

Schmitt-Grohé, S. and Uribe, M. (2018): ***International Macroeconomics***

(<http://www.columbia.edu/~mu2166/UIM/index.html>).

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

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

Some webs you may useful:

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

### **General Course Policies**

Cell phones must be turned off during class. Strictly no food to be consumed in class.

### **Course Requirements and Grading**

Assessment for the course consists of two exams (all written) and an oral presentation (individually/small groups). With regards the oral presentation, *on the day of their presentation* each student has to email the slides in PDF format. Students will be graded individually.

Finally, students will be required to complete assigned readings/summarize articles etc outside class and to actively participate in class discussions, which will be reflected in their 'participation' grade. (N.B.: 'being there' does not = 'participation').

The distribution of the final grade is the following:

- I. Midterm Exam 30%
- II. Presentation 20%
- III. Final Exam (TBA) 35%
- IV. Participation 15%

Spanish grades run: 10-9.0 (A), 8.9-7.0 (B), 6.9-5.0 (C), 4.9-0 (F)

### **Attendance and punctuality**

Attendance and punctuality are required. Arriving late to class is disruptive to both the professor and your classmates. Please be punctual, as your professor will count your late arrival as half of an absence. Under no circumstances may a student miss more than 6 classes (or 9 for classes that meet daily), even with a medical excuse. An excused absence is one that is accompanied by a doctor's note: signed, stamped and dated - travelling or missing a flight/train/bus/ferry, etc. is not an excuse. The note should be shown to your professor and must be handed in to the staff at the International Center office within one week of returning to class. After 3 unexcused absences your final grade will be lowered by  $\frac{1}{2}$  a point (Spanish grade) for each day missed (starting with the 4th absence). If you have 6 unexcused absences, you will automatically fail the class. It is each student's

responsibility to be informed of exam dates, paper due dates, required excursions, etc. before planning any absences (e.g. relatives visiting, traveling, etc.) during the semester.

### **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 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) to either turn in your documentation or to confirm that our office has received it. The deadline is September 28th. 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.

## Course contents

### I. 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**

### II. International Macroeconomics

**Unit 8: The BBNN model**

## Class Schedule

### I. International trade (the syllabus may be subject to change)

***13th September – Introduction***

***14th September – The Ricardian model***

*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 3 – PPT slides*

**18th September – The Ricardian model**

*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 3 – PPT slides*

**20th September – The Ricardian model**

*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 3 – PPT slides*

**21st September – The Ricardian model**

*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 3 – PPT slides*

**25th September – International labor mobility**

*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 4 – PPT slides*

**27th September – The Heckscher-Ohlin model**

*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 5 – PPT slides*

**2nd October – The Heckscher-Ohlin model**

*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 5 – PPT slides*

**4th October – The Heckscher-Ohlin model**

*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 6 – PPT slides*

**9th October – The Standard trade model**



*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 6 – PPT slides*

**11th October – The Standard trade model**

*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 6 – PPT slides*

**16th October – The Standard trade model**

*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 6 – PPT slides*

**18th October – The Standard Trade model**

*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 6 – PPT slides*

**23rd October – MIDTERM EXAM**

**25th October – Economies of scale**

*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 7 – PPT slides*

**30th October – Instruments of trade policy**

*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 9 – PPT slides*

**6th November – Instruments of trade policy**

*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 9 – PPT slides*

**8th November – Instruments of trade policy**

*Class notes*

*Krugman-Obstfeld-Melitz (2009) Ch. 9 – PPT slides*

**13th November – PRESENTATIONS****15th November – PRESENTATIONS****20th November – PRESENTATIONS****22nd November – PRESENTATIONS****II. International Macroeconomics****27th November – The BBNN model**

*Class notes*

*Roberto Rigobón (2018)*

**29th November – The BBNN model**

*Class notes*

*Roberto Rigobón (2018)*

**4th December – The BBNN model**

*Class notes*

*Roberto Rigobón (2018)*

**11th December – The BBNN model**

*Class notes*

*Roberto Rigobón (2018)*

***13th-18th December - FINALS*****Holidays**

Friday, October 12: Día de la Hispanidad

Wednesday, October 31: “Puente”. No classes will be held.

Thursday, November 1: All Saint’s Day. No classes will be held.

Thursday, December 6: Día de la Constitución Española. No classes will be held.