

**TEACHING PLAN**  
**INTERNATIONAL ECONOMICS**

**1. Basic description**

**Name of the course:** International Economics

**Academic year:** 2018-2019

**Term:** 2nd

**Code:** 80226

**Degree / Course:** International Business Program

**Number of ECTS credits:** 6

**Total number of hours committed:** 150

**Teaching language:** English

**Lecturer:** María Gundín Castro

**Timetable:** Tuesday, 13:00 – 15:15  
Thursday, 13:30 – 15:15

There will be two extra sessions of 75 minutes each, one on Monday week 5, and the second one on week 10 (day to be determined)

**Office Hours:** Thursday, 15:15 – 16:15

**2. Presentation of the course**

Since markets are going global, it is relevant to understand the implications of such scenario on consumers, entrepreneurs, and governments. It is the purpose of this course to cover these topics, both from a theoretical and empirical point of view. Specifically, the course is divided into two blocks. The first one focuses on international trade. The second one addresses topics related to international financial issues.

### 3. Competences to be worked in the course

General competences	Specific competences
<p data-bbox="280 499 627 533">Instrumental competences</p> <p data-bbox="185 595 624 663">G.I.4. Ability to tackle and resolve problems.</p>	<p data-bbox="834 499 1169 533">Disciplinary competences</p> <p data-bbox="762 546 1308 651">E.D.2. Recognize and assess the duties of international economic institutions and their impact on business activity.</p> <p data-bbox="762 667 1308 808">E.D.7 Identify the international economic institutions and evaluate their influence on economic growth, international trade and financial relations.</p> <p data-bbox="762 824 1308 965">E.D.12. Illustrate the primary sources of statistical economic information and managerial information available at a national and international level.</p>
<p data-bbox="280 728 691 761">Generic systemic competences</p> <p data-bbox="185 819 651 853">G.S.5. Ability to learn on one's own.</p>	<p data-bbox="834 1025 1169 1059">Professional competences</p> <p data-bbox="762 1122 1308 1227">E.P.1. Ability to understand the decisions taken by economic agents and their interaction in the markets.</p> <p data-bbox="762 1243 1308 1348">E.P.2. Ability to analyze economic and market indicators when taking decisions within the organization.</p> <p data-bbox="762 1364 1308 1541">E.P.3. Ability to assess the changes that occur due to various international agreements and their effects on the economic relations of different countries and the companies' activities.</p> <p data-bbox="762 1556 1308 1662">E.P.4. Ability to relate and analyze current and historical economic events with knowledge about the economy.</p> <p data-bbox="762 1677 1308 1744">E.P.23. Ability to apply and expand upon abstract reasoning.</p> <p data-bbox="762 1760 1294 1794">E.P.24. Develop the ability to synthesize.</p>
<p data-bbox="280 918 659 952">Competences for applicability</p> <p data-bbox="185 1014 699 1120">G.A.2. Ability to use quantitative criteria and qualitative insights when taking decisions.</p> <p data-bbox="185 1135 719 1202">G.A.5. Ability to understand an economic organization with a global perspective.</p>	

## 4. Contents

### FIRST PART: INTERNATIONAL TRADE

Week 1. Course presentation.

- Some concepts of international trade. TRADE GRAVITY MODEL
- The Economist "Hyperglobalisation and metropolitan gravity" . Oct 2013
- Hoekman, B. "Trade and Growth – end of an era?". from VOX CEPR, June 2015

Week 2. David Ricardo model of international Trade

- "Trade Winds" The Economist 1997
- Several chapters from the book *Cloth for Wine? The Relevance of Ricardo's Comparative Advantage in the 21st Century*, by Simon Evenett, CEPR, 06 December 2017.

\* *Presentation topic 1: "Trade advantages: are those softened by trade protectionism?"* Read: Evenett, S. Ricardo's Relevance in today's open but heavily distorted world trading system in "Cloth for wine..."

Week 3. Heckscher-Ohlin Model of international trade

- Kris Mitchener, Se Yan : "Trade and the skilled wage premium: Historical evidence from China" VOX CEPR 12 February 2010
- Mankiw, G. "Ricardo vs Heckscher-Ohlin", GREG MANKIW'S BLOG 2007
- Rodrik, D. "Does free trade bring lower prices?" RODRIK's D. BLOG 2007
- The Economist "Tariffs and wages. An inconvenient iota of truth", Aug 6th 2016

\* *Presentation topic 2: Does trade affect wages?* Read The Economist

\* *Presentation topic 3: Does trade affect wages?* Read Mitchener

Week 4. The Classical theories versus the New theories of international trade.

- The Economist "The relationship between trade and wages" Sep 4th 2016
- The Economist, "What governments can do for the losers from free trade" May 2018
- Adrian Wood, Jörg Mayer "Has China de-industrialised other developing countries?" VOX CEPR 28 July 2009

\* *Presentation topic 4: Free trade: enter the government* Read "The relationship between trade and wages"

\* *Presentation topic 5: Free trade with China, does it influence us (EU, US)?* Read Wood & Mayer

## SECOND PART: INTERNATIONAL FINANCE

Week 5. *Extra class* on Monday from 16.00 to 17.15 helpful to clarify main concepts on International trade.

**\*\* Exam first part:** the exam will be on the topics covered up to that moment.

\*\* National Income Accounting and the Balance of Payments. The role of IMF

- Probst, J. "Explainer: why some current account imbalances are fine but others are catastrophic". *The Conversation*, August 2018

\* *Presentation topic 6 : Can a country hold a long term current account deficit?*

Week 6. Money, Interest Rates and Foreign Exchange Rate market. Exchange rate Determination in the long term

- The globaleconomy.com: "Fear of floating: fixed vs. flexible exchange rates", 2018
- The Economist "Fix or Float?," 28th January 1999

\**Presentation topic 7: How can a flexible exchange rate help a country with a high inflation differential? Any inconvenience from that?.* Read "Fix or Float"

Week 7. Exchange rate Determination in the short term

- Coy, P. "Floating Exchange rates can cause big trouble". *Bloomberg news*, Oct 2007
- \**Presentation topic 7: How can a flexible exchange rate help a country with a high inflation differential? Any inconvenience from that?.* Read "Fix or Float"

\**Presentation topic 7: How can a flexible exchange rate help a country with a high inflation differential? Any inconvenience from that?.* Read "Fix or Float"

Week 8. Fixed Exchange Rates and Foreign Exchange Intervention. Optimal Currency Areas.

- The Economist "A Primer in Economics".
- De Grauwe, P. "The politics of the Maastricht convergence criteria". *Vox* 2009

\* *Presentation topic 8: Is the EMU an Optimal currency Area? What is it missing?* Read "A Primer in Economics".

Week 9. The case of Euro: losses and gains. The management of asymmetric shocks in the Euro Area.

- Boltho, Andrea & Carlin, Wendy: *The problems of European monetary union – asymmetric shocks or asymmetric behaviour?* *VOX* 31 March 2012
- Fernández-Villaverde, Jesús & Garicano, Luis & Santos, Tano. "Did the euro kill governance in the periphery?" *Vox* 30 April 2013

\* *Presentation topic 9: Managing crisis, the inconveniences of a common currency.* Read “Did the euro kill governance in the periphery?”

Week 10: Summary of the main concepts on international finance.

- Cukierman, A. “The Revolution in Monetary Policymaking Institutions”. Vox 2007

*Presentation topic 10: Why are Central Banks independent from their governments?* Read Cukierman

Week 11: *Extra session* (1,5 hours) helpful to get ready for the final exam. Exact day and time will be determined on week 5.

## 5. Assessment

### 5.1 Regular Term Evaluation (check section 7 for further details)

A/ 15% Questions on compulsory readings. Working in groups of 3/4 people

B/ 10% Presentation Topic (PT). Groups of 3/4 people.

C/ 10% Problem sets. Groups of 3/4 people.

D/ 20% Midterm exam. Individual

E/ 45% Final exam (30% of the evaluation will cover the international trade topics). Individual

*NOTE THAT all categories of evaluation, except from C, refer to activities which will be done during the sessions, in the classroom.*

Doing both exams and the PT is a necessary condition to receive a quantitative evaluation of the course. In case a student misses any of the three mentioned categories, a “N.A.” grade will be given. The final grade will be determined by the weighted average of the mentioned categories.

### 5.2 Supplementary Evaluation

For those students who during the regular term have obtained a weighted final grade below 5.0 there will be a supplementary evaluation according to ESCI-UPF calendar and academic regulations. This supplementary evaluation will imply a re-take of the final exam that will account for 45% of the final grade. Grades and weights in the rest of categories (55%) will stay unchanged and cannot be compensated by extra work.

## 6. Bibliography and teaching resources

- Basic bibliography
  - KRUGMAN, P. & OBSTFELD, M., *International Economics: Theory and Politics*.
- Other references:
  - Readings provided by the teacher
  - Slides from class presentations.

## 7. Methodology

### ○ Lectures

Lectures will cover the topics of the syllabus and will address the competences to be achieved in the course.

### ○ Continuous evaluation (from section 5.1)

**A/** Questions on readings, (to be read before the lecture): Starting on session 2. At the beginning of each session students, working in groups of three or four, must answer and hand in (or upload) some questions on the required readings of the day.

**B/** The Presentation topic, PT, (10%) in groups of three/four people, you do not need to write a paper but you are expected to prepare a good and clear presentation in order to explain the topic proposed (around 12 minutes). The presentation must be sent to me, *maria.gundin@prof.esci.upf.edu*, **the day before** the corresponding session), if this does not happen you will get a 0 in your PT

**C/** Students will be asked to solve some problem sets. These assignments are designed for practice and to further understand the topics discussed in class. Selected exercises will be discussed in class.

**D/ and E/** Both exams will consist of short questions, some multiple choice and may be some numerical exercises on the topics covered along the course. Computers or mobile phones are not allowed during the exam. A minimum of 4 points out of 10 is required in both exams to pass the subject.

Face-to-face (in the classroom)	Directed (outside the classroom)	Independent (outside the classroom)
<p><b>Professor:</b></p> <ul style="list-style-type: none"> <li>- Lectures</li> <li>- Discussion of exercises and readings.</li> </ul> <p><b>Student:</b></p> <ul style="list-style-type: none"> <li>- Exercises on readings and presentation of topics.</li> <li>- Participation in discussions</li> <li>- Exams</li> </ul>	<p><b>Professor:</b></p> <ul style="list-style-type: none"> <li>- Prepare problem sets</li> <li>- Select readings</li> <li>- Prepare discussion topics</li> </ul> <p><b>Student:</b></p> <ul style="list-style-type: none"> <li>- Solve problem sets</li> <li>- read the compulsory readings before attending the sessions.</li> </ul>	<p><b>Student:</b></p> <ul style="list-style-type: none"> <li>- Class preparation and readings</li> <li>- Independent study</li> <li>- Exams preparation</li> </ul>

CALENDAR:

Week	Session	Date	In Class
1	Lecture 1	8 Jan	Course Presentation & Concepts around international trade
	Lecture 2	10 Jan	Gravity Model
2	Lecture 3	15 Jan	David Ricardo model
	Lecture 4	17 Jan	
3	Lecture 5	22 Jan	Heckscher-Ohlin Model
	Lecture 6	24 Jan	
4	Lecture 7	29 Jan	New theories of international trade
	Lecture 8	31 Jan	
5	Lecture 9	4 Feb	Extra session on IT
	Lecture 10	5 Feb	Exam first part
	Lecture 11	7 Feb	Exam review & questions Money, Interest Rates and Exchange Rates
6	Lecture 12	12 Feb	
	Lecture 13	14 Feb	Money, Interest Rates and Exchange Rates in the long run
7	Lecture 14	19 Feb	
	Lecture 15	21 Feb	Exchange rate Determination in the short term
8	Lecture 16	26 Feb	
	Lecture 17	28 Feb	Fixed Exchange Rates & Optimal currency areas.
9	Lecture 18	5 Mar	
	Lecture 19	7 Mar	The case of Euro: loses and gains

10	Lecture 20	12 Mar	Summary of the main concepts
	Lecture 21	14 Mar	
10	EXTRA SESSION	To be determined	<i>getting ready for final exam</i>

Last revised January 7th, 2019

María Gundín Castro