

**COURSE DATA****Data Subject**

Code	35879
Name	International economics
Cycle	Grade
ECTS Credits	6.0
Academic year	2022 - 2023

Study (s)

Degree	Center	Acad. Period
1314 - Degree in International Business	Faculty of Economics	2 Second term

Subject-matter

Degree	Subject-matter	Character
1314 - Degree in International Business	3 - Economics	Basic Training

Coordination

Name	Department
ROCHINA BARRACHINA, MARIA ENGRACIA	132 - Economic Structure

SUMMARY

The aim of the subject “International Economics” (Economía Internacional) is to provide the students with concepts and tools needed to identify and explain problems in a global world, to seek for solid theoretical foundations using economic models, to search for information, to use empirical techniques to manipulate data, to construct variables and to have critical interpretation of the results.

For that purpose, first we introduce the standard models of international movement of goods and factors based on the concepts of comparative advantage and economies of scale, as well as recent developments needed to explain new phenomena (i.e. outsourcing). At the same time, we study the economic transactions between a country and the rest of the world using the Balance of Payments and its different accounts.

The course also provides a good understanding of the current international situation (i.e. recent 2009 trade collapse) and the role and functioning of the main international economic institutions such as WTO and UNCTAD.

Finally, we will examine the international financial relations, the financial markets and foreign currency



markets, reviewing basic concepts such as exchange rate, interest rate and their relationships, as well as the role and functioning of the IMF and World Bank.

It is expected the student to achieve the following competencies during the course:

- To know the main characteristics of the real and financial transactions between countries.
- To understand the use of theoretical models in order to explain the past, present and future of the existence, magnitude and direction of the transactions between countries.
- To get familiar with databases which contain statistical data about topics in international economics.
- To know and critically comment technical and non-technical documents about topics in international economics.
- To master basic concepts and to be able to have an opinion on current debates about topics in international economics.

This is a second year undergraduate course and it will be taught during the second semester because the course requires previous knowledge from Introductory Economics, Microeconomics I and Macroeconomics I. There are a number of advance courses that can be taken in third and four year: major courses such as Economics of European Union, International Finance, Financial Markets, and optional courses such as International Economic Analysis, International Economic Institutions, International Trade Management and International Financial Management.

The course will provide students with basic knowledge to understand the nature and motives for cross-border transactions, which is a basic knowledge in many professional activities related with international trade, finance or cooperation at firm, government and institutional level.

PREVIOUS KNOWLEDGE

Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

Other requirements

Basic knowledge in Maths, Microeconomics and Macroeconomics, English



OUTCOMES

1314 - Degree in International Business

- Develop the capacity to evaluate and critically analyse international economic phenomena and agents.
- Develop intercultural sensitivity and the ability to adapt to other geopolitical contexts.
- Be able to work in multidisciplinary and intercultural teams.
- Understand and reflect on socio-economic and political contexts that affect business and economic decision-making in an international environment.
- Understand the structure and functioning of companies and organisations operating in an international context.
- Develop an ethical attitude in business, respecting human rights and the environment both in the country of origin of the company and in the different markets in which it operates.
- Understand the basic concepts of economic analysis that are applicable to the operation of companies and institutions in the international context.
- Understand the behaviour of economic agents and their interaction in global markets.
- Know the basic competences and the functioning of the main international economic and cooperation institutions.
- Use the economic and financial information of the company to make decisions.
- Know how international financial markets work.
- Develop the capacity to prepare and defend reports that contribute to the decision-making of public and private agents.
- Aprender a detectar las desigualdades entre personas para diseñar, implementar y evaluar las políticas pertinentes que faciliten la eliminación de dicha discriminación en empresas e instituciones.
- Tener una visión general de los contenidos de la teoría económica, de forma que se perciba el impacto de los elementos microeconómicos y macroeconómicos en la toma de decisiones de los agentes económicos, en particular de la toma de decisiones empresariales y en la elaboración de las políticas económicas y, en general, conocer cómo funciona la economía moderna.
- Conocer el comportamiento de los agentes económicos individuales y su interacción en el mercado generando precios.
- Conocer las distintas estructuras de mercado competitivas y no competitivas.
- Poseer los conocimientos micro y macroeconómicos suficientes para analizar e interpretar la realidad nacional e internacional desde una perspectiva económica.
- Adquisición de una idea general de la distribución actual de la actividad económica internacional.
- Aprendizaje de los fundamentos de los modelos básicos que explican el comercio internacional.



- Conocimiento de los fundamentos cambiarios y financieros básicos en la actual economía internacional.
- Comprensión de los elementos diferenciadores de los problemas económicos internacionales en función del grado de desarrollo de las economías.
- Conocimiento de los aspectos básicos de las principales instituciones económicas internacionales.

LEARNING OUTCOMES

To be able to use the concepts of demand and supply, at micro (markets) and macro level (whole economy).

To have a good understanding of how the market works, the key role played by prices, and how they are determined by the interaction of the supply and demand.

To develop the skill of economic analysis and reasoning to understand and critically interpret the important economic issues that occur between countries.

To be able to use analytical reasoning to explain and solve economic problems.

To be able to identify the main internacional economic problems.

To be able to determine the pattern of trade and the gains from trade.

To be able to identify the fundamentals behind the main macroeconomic disequilibrium (real and financial) of an economy.

DESCRIPTION OF CONTENTS

1. THE RELEVANCE OF INTERNATIONAL ECONOMICS

1.1.- What is international economics about?

1.2.- World trade: An overview.

References:

Krugman, P.R., Obstfeld, M. and M.J. Melitz (2015): International Economics: Theory and Policy. Tenth Edition (Global Edition). Pearson, chapters 1 and 2, pages 33-54.

Practical questions:

Question 1.1.- The Balance of Payments.

Question 1.2.- Some trade indicators.



2. A GENERAL MODEL OF TRADE AND COMPARATIVE ADVANTAGES: THE STANDARD TRADE MODEL

2.1.- Comparative advantage and trade.

2.2.- The gains from trade.

References:

Krugman, P.R., Obstfeld, M. and M.J. Melitz (2015): International Economics: Theory and Policy. Tenth Edition (Global Edition). Pearson, chapter 6, pages 150-164.

Caves, R.E., Frankel, J.A. and Jones, R.W. (1999): World trade and payments: An introduction. Addison Wesley. Chapter 2, pages 14-19, chapter 3, pages 32-36.

3. LABOUR PRODUCTIVITY AND COMPARATIVE ADVANTAGE: THE RICARDIAN MODEL

3.1.- One-factor economy: Production possibility frontier, relative prices and supply.

3.2.- Trade in a one-factor world: Absolute advantage and comparative advantage.

3.3.- Comparative advantage with many goods.

References:

Krugman, P.R., Obstfeld, M. and M.J. Melitz (2015): International Economics: Theory and Policy. Tenth Edition (Global Edition). Pearson, chapter 3, pages 56-80.

Practical questions:

Question 3.1.- Problems 1 to 3 from chapter 3 (page 81) of the referenced book plus two variants.

Question 3.2.- 3 more problems from a different book.

Question 3.3.- Discussion on erroneous ideas about the comparative advantage.

4. RESOURCES AND TRADE: THE HECKSCHER-OHLIN MODEL

4.1.- A model of a two-factor economy.

4.2.- Effects of international trade between two-factor economies.

References:

Krugman, P.R. y Obstfeld, M. (1995): Economía internacional: Teoría y política. McGraw Hill. Chapter 4, pages 77-92.

Practical questions:

Question 4.1.- Problems 1 and 2 from chapter 4 in the book by Krugman, P.R. and Obstfeld, M. (1995 edition). 3 more problems from a different book.

5. ECONOMIES OF SCALE, IMPERFECT COMPETITION, AND INTERNATIONAL TRADE

5.1.- Economies of scale and international trade.

5.2.- Economies of scale and market structure.

5.3.- Monopolistic competition and trade.

5.4.- External economies and international trade.

References:



Krugman, P.R., Obstfeld, M. and M.J. Melitz (2015): International Economics: Theory and Policy. Tenth Edition (Global Edition). Pearson, chapter 7, pages 177-190, and chapter 8, pages 200-213.

Practical questions:

Question 5.1.- The intra-industry trade index.

Question 5.2.- The relative importance in trade of economies of scale (internal or external) and the comparative advantage (coming from technological differences or differences in factor endowments).

Question 5.3.- One problem about the monopolistic competition model.

6. INTERNATIONAL FACTOR MOVEMENTS

6.1.- International labour mobility.

6.2.- Foreign direct investment and multinational firms.

References:

Krugman, P.R., Obstfeld, M. and M.J. Melitz (2015): International Economics: Theory and Policy. Tenth Edition (Global Edition). Pearson, chapter 4, pages 84-87 and 102-108, chapter 8, pages 222-232.

7. THE INSTRUMENTS OF TRADE POLICY

7.1.- Basic tariff analysis.

7.2.- Costs and benefits of a tariff.

References:

Krugman, P.R., Obstfeld, M. and M.J. Melitz (2015): International Economics: Theory and Policy. Tenth Edition (Global Edition). Pearson, chapter 9, pages 238-260.

Practical questions:

Question 7.1.- Numerical exercises about the tariff analysis, plus the concepts of effective rate of protection and nominal rate of protection.

Question 7.2.- What is dumping?.

Question 7.3.- Export subsidies.

Question 7.4.- Import quotas.

Question 7.5.- Voluntary export restraints.

8. TRADE POLICY

8.1.- International trade agreements and trade policy: The GATT and the WTO.

8.2.- Preferential trading agreements.

8.3.- Trade policy in developing countries.

References:

Krugman, P.R., Obstfeld, M. and M.J. Melitz (2015): International Economics: Theory and Policy. Tenth Edition (Global Edition). Pearson, chapter 10, pages 284-301, chapter 11, pages 307-320.

**9. EXCHANGE RATES AND THE FOREIGN EXCHANGE MARKET**

- 9.1.- Exchange rates and international transactions.
- 9.2.- The foreign exchange market.
- 9.3.- Equilibrium in the foreign exchange market: An asset approach.
- 9.4.- The purchasing power parity.

References:

Krugman, P.R., Obstfeld, M. and M.J. Melitz (2015): International Economics: Theory and Policy. Tenth Edition (Global Edition). Pearson, chapter 14, pages 374-383, 389-403 and 408-410, chapter 16, pages 445-449 and 455-462.

Practical questions:

Question 9.1.- Some selected problems about exchange rates and the purchasing power parity.

Question 9.2.- Some selected problems about the interest parity condition.

10. THE INTERNATIONAL MONETARY SYSTEM

- 11.1.- Desirable characteristics in an international monetary system.
- 11.2.- A bit of history about the international monetary system.
- 11.3.- Arguments against and in favour of floating exchange rates.

References:

Krugman, P.R., Obstfeld, M. and M.J. Melitz (2015): International Economics: Theory and Policy. Tenth Edition (Global Edition). Pearson, chapter 19, pages 570-574, 578-579, 600-604 and 615-621.

WORKLOAD

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Classroom practices	30,00	100
Development of individual work	30,00	0
Study and independent work	10,00	0
Readings supplementary material	10,00	0
Preparation of evaluation activities	10,00	0
Preparing lectures	10,00	0
Preparation of practical classes and problem	10,00	0
Resolution of case studies	10,00	0
TOTAL	150,00	



TEACHING METHODOLOGY

Magisterial lessons with a chance to take part in the lesson, presenting the basic theoretical concepts and principles.

Practical classes, with the purpose of applying theories, concepts and methods in the resolution of analytical problems or analysis of case studies.

Supervised independent work based on the reading and assessment of reports, resolution of problems and participation in projects.

Autonomous capacity to study and to prepare the exam and the homework.

EVALUATION

The final mark of the course depends on:

1. **A written exam.** The written exam will count 80% of the final mark.
2. **Continuous evaluation.** Continuous evaluation will count 20% of the final mark.

IMPORTANT REMARK: IT IS NECESSARY TO OBTAIN A MINIMUM OF 5 POINTS IN THE EXAM IN ORDER TO PASS THE COURSE.

THE CONTINUOUS EVALUATION IS UNRECOVERABLE DUE TO ITS NATURE.

REFERENCES

Basic

- Krugman, P.R., Obstfeld, M. y M.J. Melitz (2016): Economía Internacional: Teoría y política. 10ª edición. Pearson.

Additional

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Referencia c1: Caves, R.E., Frankel, J.A. y Jones, R.W. (1999): World trade and payments: An introduction. Addison Wesley.

Referencia c2: Bengochea, A. Camarero, M. Cantavella, M y Martinez, I. (2002) Economía Internacional. Cuestiones y Ejercicios resueltos. Prentice Hill

Referencia c3: Banco de España (Boletín Económico, Boletín Estadístico, Informes de Coyuntura): <http://www.bde.es>



Ministerio de Economía: <http://www.meh.es/es-ES/Paginas/Home.aspx> ó

<http://www.meh.es/>

Instituto Nacional de Estadística: <http://www.ine.es>

Unión Europea (web oficial): <http://europa.eu/> ó http://europa.eu/index_es.htm

Eurostat (Oficina estadística de la UE):

<http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home>

Organización Mundial de Comercio: <http://www.wto.org>

Fondo Monetario Internacional: <http://www.imf.org>

Banco Mundial: <http://www.worldbank.org>

Conferencia de las Naciones Unidas sobre Comercio y Desarrollo (UNCTAD): <http://www.unctad.org>

Naciones Unidas (ONU): <http://www.un.org><http://www.un.org/es/>