

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

Code	36113
Name	International economics
Cycle	Grade
ECTS Credits	6.0
Academic year	2022 - 2023

Study (s)

Degree	Center	Acad. Period year
1316 - Degree in Economics	Faculty of Economics	3 First term

Subject-matter

Degree	Subject-matter	Character
1316 - Degree in Economics	9 - Spanish and international economy	Obligatory

Coordination

Name	Department
SANCHIS LLOPIS, MARIA DESAMPARADOS	132 - Economic Structure

SUMMARY

The aim of the subject “International Economics” 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 third year undergraduate course and it will be taught during the first 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 and English.

COMPETENCES (RD 1393/2007) // LEARNING OUTCOMES (RD 822/2021)

1316 - Degree in Economics

- Show critical thinking skills.
- Be able to collect and analyse information.



- Have oral and written communication skills in the native language.
- Have decision-making skills and be able to apply knowledge to practice.
- Be able to work in a team (including interdisciplinary teams).
- Be able to learn autonomously.
- Be able to use ICTs.
- Apply the principles of economic analysis (rational decision) to the diagnosis and resolution of problems.
- Be able to prepare and defend an economic report.
- Know and understand the determinants of the long-term sustainable growth of an economy.
- Know and understand the nature of international trade and of the financial framework in which it takes place.

LEARNING OUTCOMES (RD 1393/2007) // NO CONTENT (RD 822/2021)

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 international 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. An introduction to International economics

1.1.-The globalisation process.

1.2.- Main features of international trade, study of the figures of foreign trade by commercial blocs and groups of countries.

Basic references:

Krugman, P.K., Obstfeld, M. & M. Melitz (2016): *Economía Internacional: Teoría y política*. Tenth Edition. Pearson, chapters 1 & 2.



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

Complementary references:

Appleyard, D.R. and Field, A.J. (1997); chapter 1, pages 1-13.

Chacholiades, M. (1992); chapter 1, pages 1-6.

Salvatore, D. (2001); chapter 1, pages 1-5, 17-21.

Banco de España: <http://www.bde.es>

World Trade Organization: <http://www.wto.org>

Practical questions:

Question 1.1. - Meaning and analysis of the structure of the balance of payments (BOP). Calculation and interpretation of the balances of the different sub-balances. Banco de España, nota metodológica (2004): Balanza de pagos de España, <http://www.bde.es>.

Question 1.2. - Exercises on the balance of payments.

Question 1.3. - Study of the structure and evolution of the Balance of Payments of the Spanish economy. Boletín Estadístico del Banco de España (<http://www.bde.es>).

Question 1.4. - Main features of international trade, study of the figures of foreign trade blocs and groups of countries (<http://www.imf.org>).

Question 1.5. - Study of the main features of the Spanish foreign trade: exports and imports, openness, coverage rates, propensities to import and export, product groups and geographic areas (<http://www.bde.es>).

2. The gains from trade

2.1.- The gains from trade.

2.2.- Comparative advantage and trade.

Basic references:

Krugman, P.K., Obstfeld, M. & M. Melitz (2016): *Economía Internacional: Teoría y política*. Tenth edition. Pearson, chapter 6.

Caves, R.E., Frankel, J.A. and Jones, R.W. (1999); chapter 2, pages 14-19, chapter 3, pages 32-36.

Complementary references:

Appleyard, D.R. and Field, A.J. (1997); chapter 6, pages 113-128.

Chacholiades, M. (1992); chapter 3, pages 36-53.

Salvatore, D. (2001); chapter 3, pages 59-76.

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.

Basic references:



Krugman, P.K., Obstfeld, M. i M. Melitz (2016): *Economía Internacional: Teoría y política*. 10ª edició. Pearson, capítol 3.

Caves, R.E., Frankel, J.A. and Jones, R.W. (1999); chapter 2, pages 14-19, chapter 3, pages 32-36.

Complementary references:

Appleyard, D.R. and Field, A.J. (1997); chapter 6, pages 113-128.

Chacholiades, M. (1992); chapter 3, pages 36-53.

Salvatore, D. (2001); chapter 3, pages 59-76.

Practical questions:

Question 3.1. - Exercises on the operation of the Ricardian model: representation of the production possibilities curve, the world relative supply curve, description of trade patterns and gains from trade in a numerical case. Krugman, P.K., Obstfeld, M. and M. Melitz (2012), Chapter 3, Exercises 1 to 5, page 78.

Question 3.2 Exercises on the operation of the Ricardian model: Bengochea, A., et al. (2002): *Economía internacional: cuestiones y ejercicios resueltos*, Prentice Hall, Chapter 1, Exercises 1.5.1, 1.5.2-1.5.3, pages 7-10.

Question 3.3. Misconceptions about comparative advantage. Krugman, P.K., Obstfeld, M. and M. Melitz (2012), Chapter 3, page 67-70.

4. Resources and trade: the Heckscher-Ohlin model

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

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

Basic references:

Krugman, P.K. and Obstfeld, M. (1995): *Economía Internacional: Teoría y política*. McGraw-Hill, chapter 4, pages 77-92.

Complementary references:

Appleyard, D.R. and Field, A.J. (1997); chapter 8, pages 167-192.

Caves, R.E., Frankel, J.A. y Jones, R.W. (1999); capítulo 7, páginas 99-109.

Chacholiades, M. (1992); chapter 4, pages 76-96.

Salvatore, D. (2001); chapter 5, pages 119-138.

Practical questions:

Question 4.1. - Practical exercises on the operation of the Heckscher-Ohlin model with numerical cases Krugman, P.K., and Obstfeld, M. (1995); chapter 4, exercises 1 and 2, page 97. Bengochea, et al. (2002): *Economía internacional: cuestiones y ejercicios resueltos*, Prentice Hall, chapter 2, exercises 2.5.1 - 2.5.2- 2.5.3, pages 23-27.



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.

Basic references:

Krugman, P.K., Obstfeld, M. & M. Melitz (2016): *Economía Internacional: Teoría y política*. 10th edition. Pearson, chapters 7 & 8.
Caves, R.E., Frankel, J.A. and Jones, R.W. (1999); chapter 2, page 22, chapter 3, pages 36-37.

Complementary references:

Appleyard, D.R. and Field, A.J. (1997); chapter 10, pages 253-256, 260.
Chacholiades, M. (1992); chapter 5, pages 116-123.
Salvatore, D. (2001); chapter 6, pages 174-185, 198-201.

Practical questions:

Question 5.1. Exercises on the measurement of intra-industry trade. Publication of the department.
Question 5.2. - Evaluation of the relative importance of trade in economies of scale (internal and external) and the comparative advantage (differences in endowments and / or technology. Publication of the department.
Question 5.3. Numerical exercise on the effects of trade on an industry that has economies of scale and operates in a monopolistic competition regime. Bengochea, A., Camarero, M., Cantavella, M. and Martínez, I. (2002): *Economía internacional: cuestiones y ejercicios resueltos*, Prentice Hall, chapter 3, exercise 3.5.1, pages 34-36.

6. International factor movements

- 6.1.-International labour mobility.
- 6.2.-Direct foreign investment and multinational firms.

Basic references:

Krugman, P.K., Obstfeld, M. & M. Melitz (2016): *Economía Internacional: Teoría y Política*. 10th edition. Pearson, chapter 4, pp. 69-72, chapter 8, pp. 172-173, 182-189.

Complementary references:

Appleyard, D.R. and Field, A.J. (1997); chapter 12, pages 289-315.
Caves, R.E., Frankel, J.A. and Jones, R.W. (1999); chapter 9, pages 148-150, 153-159.
Salvatore, D. (2001); chapter 22, pages 405-406, 410-421.



7. The instruments of trade policy

7.1.- Basic tariff analysis.

7.2.- Costs and benefits of a tariff.

Basic references:

Krugman, P.K., Obstfeld, M. i M. Melitz (2016): *Economía Internacional: Teoría y política*. 10ª edició. Pearson, capítol 9

Chacholiades, M. (1992); chapter 7, pages 169-176.

Complementary references:

Appleyard, D.R. y Field, A.J. (1997); chapter 13, pages 321-329, chapter 14, pages 363-367, 374-375.

Salvatore, D. (2001); chapter 8, pages 243-249, 255-258.

Practical questions:

Question 7.1. Graphical and numerical exercises on the basic analysis of the tariff, calculation of costs and benefits. Obtaining the effective rate of protection and the nominal rate of protection. Krugman, P.K., Obstfeld, M. and M. Melitz (2012); chapter 9, exercises 1, 2, 3 and 4, pages 242-243.

Question 7.2. Dumping and types of dumping. Krugman, P.K., Obstfeld, M. and M. Melitz (2012); chapter 8, page 208.

Question 7.3. Export subsidies. Case study: the European Common Agricultural Policy. Krugman, P.K., Obstfeld, M. and M. Melitz (2012); chapter 9, pages 234-235.

Question 7.4. Import quotas. Case study: the sugar import quota in the U.S. Krugman, P.K., Obstfeld, M. and M. Melitz (2012); chapter 9, pages 236-238.

Question 7.5.- Voluntary Export Restrictions. Case study: the Japanese car voluntary export restriction. Krugman, P.K., Obstfeld, M. and M. Melitz (2012); chapter 9, pages 238-239.

8. Trade policy

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

8.2.- Preferential trade agreements.

8.3.- Trade policy in developing countries.

Basic references:

Krugman, P.K., Obstfeld, M. & M. Melitz (2016): *Economía Internacional: Teoría y política*. 10th edition. Pearson, chapters 10 & 11.

FMI (1993); *Perspectivas de la economía mundial*, Anexo III: *Acuerdos Comerciales Regionales*, pages 118-128.

Williamson, J.G. (1997); *Globalization and Inequality: Past and Present*, The World Bank Research Observer, volumen 12, 2, páginas 117-136.

Complementary references:

Appleyard, D.R. and Field, A.J. (1997); chapter 17, pages 440-449.

Caves, R.E., Frankel, J.A. and Jones, R.W. (1999); chapter 13, pages 242-248.



Chacholiades, M. (1992); chapter 9, pages 242-248.

Jordán Galduf, J. M. (Director): Economía de la Unión Europea, 4ª Edición, Civitas, 2002. Capítulo 6. Monográfico 50 Aniversario del Sistema Multilateral de Comercio (1998), Información Comercial Española, Revista de Economía, 770, april-may.

Salvatore, D. (2001); chapter 9, pages 304-313, 378-380.

9. Exchange rates and the foreign exchange market

4.1. 9.1. - The exchange rates and international transactions.

9.2. - The exchange rates and the foreign exchange market. An asset approach.

9.3. - The determination of the exchange rates in the long run. The purchasing power parity.

Basic references:

Krugman, P.K., Obstfeld, M. i M. Melitz (2016): Economía Internacional: Teoría y política. 10ª edición. Pearson, capítulo 14 i 16.

Complementary references:

Appleyard, D.R. y Field, A.J. (1997); chapter 20, pages 522-547.

Caves, R.E., Frankel, J.A. and Jones, R.W. (1999); chapter 19, pages 351-357, chapter 21, pages 431-434.

Chacholiades, M. (1992); chapter 11, pages 291-298, 300-302, 304-307, 312-315.

Salvatore, D. (2001); chapter 14, pages 461-475, 507-514.

Practical questions:

Question 9.1. Numerical exercises on the exchange rate and purchasing power parity. Krugman, P.K., Obstfeld, M. and M. Melitz (2012); chapter 14, exercises 1 and 2, page 377-378, and chapter 16, exercise 1, page 444.

Question 9.2. Interest arbitration in coverage. Krugman, P.K., Obstfeld, M. and M. Melitz (2012); chapter 14, exercises 6 and 14, pages 378-379.

10. The international monetary system

4.1. 10.1. Desirable characteristics in an international monetary system.

10.2. - History of the international monetary systems.

10.3. - Arguments against and in favour of floating exchange rates versus fixed.

Basic references:

Krugman, P.K., Obstfeld, M. & M. Melitz (2016): Economía Internacional: Teoría y política. 10th edition. Pearson, chapter 19.

Chacholiades, M. (1992); chapter 20, pages 556-580.

Complementary references:

Appleyard, D.R. and Field, A.J. (1997); chapter 27, pages 733-751, chapter 28, pages 765-787.

Chacholiades, M. (1992); chapter 18, pages 522-528.



Salvatore, D. (2001); chapter 20, pages 703-712, chapter 21, pages 743-769.

WORKLOAD

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Classroom practices	30,00	100
Development of group work	30,00	0
Development of individual work	20,00	0
Study and independent work	20,00	0
Readings supplementary material	10,00	0
Preparing lectures	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. It is expected to participate actively in discussions, oral presentations or written work, either individually or in a group.

Supervised independent work based on the reading and assessment of reports, resolution of problems and participation in projects, either individually or in a group.

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

EVALUATION

The final mark of the course depends on two components:

1. **A written final exam** with theoretical, analytical and applied questions. The written exam will count 70% of the final mark.
2. **Continuous evaluation during the semester.** Continuous evaluation will be based on the active participation during the teaching-learning process during the course. Continuous evaluation will count 30% of the final mark, and will not be recoverable due to its nature of evaluation in the classroom during the classes.



IMPORTANT REMARK: IT IS NECESSARY TO OBTAIN A MINIMUM OF 5 POINTS OUT OF 10 IN THE FINAL EXAM

REFERENCES

Basic

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

Additional

- Caves, R.E., Frankel, J.A. i Jones, R.W. (1999): World trade and payments: An introduction. Addison Wesley.
- Bengochea, A. Camarero, M. Cantavella, M i Martinez, I. (2002) Economía Internacional. Cuestiones y Ejercicios resueltos. Prentice Hill
- 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/>