# International Economics

## Prof. Sara Balestri, Prof. Marco Colagrossi

**First module;** Prof. Sara Balestri

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course aims to offer students the interpretation keys to understanding and critically analysing the main phenomena of international economy and especially of international trade. The course also aims to provide students with knowledge and discernment skills regarding the objectives and instruments of national, European and global policies related to real integration, by analysing the effectiveness, efficiency and equity of the various economic policy options, both theoretically and with reference to concrete situations.

The course will try to give an answer to the main open questions in the international economy. What determines the competitiveness of nations? How much do we have to fear competition from countries with lower wages? Do globalisation processes bring benefits? Do we have to worry about Brexit? How can we explain the exchange rate between the dollar and the euro? Why so many criticisms of the Euro?

**Intended learning outcomes**

**Knowledge and understanding:**

Students will be able to apply the analytical economic tools related to the analysis of international trade and international finance, by using standard microeconomics and macroeconomics tools. Students will appreciate the relevance of the main international institutions by acquiring adequate knowledge of the events related to their creation and functioning.

**Ability to apply knowledge and understanding**.

Students will be able to understand and interpret data and policies relating to international trade and exchange rate dynamics. They will also be able to understand both the textbook, the readings, and articles in the specialised press presented during the course. At the end of the course, students will be able to examine the problems connected with the international integration processes, being aware of the determinants and the political and social implications of the various political and institutional choices.

**Independent judgement.**

Students will be able to critically analyse economic policy decisions such as trade agreements, implementation of duties and tariffs, and monetary policy decisions.

***COURSE CONTENT***

First module (30 hours) *International Trade Theory*

(Prof. Sara Balestri)

The course aims to provide students with an accurate knowledge of the stylised facts relating to processes in international integration, of the main actors operating in this area, of the various options of national economic policy in the field of foreign trade in commodities, artefacts and services; international movements of people; of international investments. Particular attention will be given to the relationship between economic policies, integration processes and economic development in the Global South*.*

In particular, the following topics will be addressed:

1. Globalisation and the role of trade in long-term growth
2. The comparative advantage concept
3. Differences in technology: the Ricardian model
4. The specific factor model
5. Differences in the equipment: the Heckscher-Ohlin model
6. The role of economies of scale
7. Businesses in the global economy: exports, outsourcing and multinationals
8. Instruments of commercial economic policy

Second module (30 hours) *The balance of payments and international finance*

In particular, the following topics will be addressed:

1. National accounting system and balance of payments. Intertemporal approach to current accounts
2. The exchange rate market
3. Covered and uncovered equality of interest rates
4. Purchasing power parity and the long-term exchange rate
5. Fixed exchange rates and intervention in the foreign exchange market
6. Optimal currency areas and the Euro

***READING LIST***

Reference textbooks for the course:

P.R. Krugman-M. Obstfeld-M. Melitz

* *Economia Internazionale vol.1, Teoria e politica del commercio internazionale*, Pearson Italia, Milan-Turin, 2019, eleventh edition, chs. 2-12 (module 1, Prof. S. Balestri)
* *Economia Internazionale vol.2, Economia Monetaria Internazionale,*Pearson Italia, Milan-Turin, 2019, eleventh edition, chs. 1-7 + 10 (module 2, Prof. E. Colombo)

Teaching notes prepared by the lecturers will also be made available to students.

For each of the two modules, detailed information on classroom topics, required chapters and reference reading list, as well as texts and materials for any class discussions, will be made available by the lecturers on the Blackboard platform. The information contained in Blackboard summarises the complete reading list necessary for the preparation of the exam. The Blackboard platform will also be the tool used to communicate timetables changes, information on exams, any changes in the course content and more. All students (attending and non-attending, within or out of the university prescribed time) are invited to register on the Blackboard page of the course and keep up to date.

***TEACHING METHOD***

Frontal lectures, class discussions of papers, official documents and selected articles of the specialised press**.**

***ASSESSMENT METHOD AND CRITERIA***

The students’ learning outcomes will be verified through a written test. The possibility of taking an interim written test at the end of each teaching module will be evaluated with attending students.

The assessments will be based on the students’ level of understanding and knowledge of the contents, as well as the quality of their exposition skills (structure, accuracy, in-depth analysis of the answer).

The exam is written and divided into two sections. The first part includes 14 multiple-choice questions while the second one includes answering 2 open-ended questions from a choice of 4 questions covering both teaching modules.

***NOTES AND PREREQUISITES***

For its content and method, the course requires a basic knowledge of the analytical tools of Political Economy and a certain familiarity with the use of its analytical tools. We strongly recommend that all students check their basic preparation and fill any gaps using the materials related to the basic course in Political Economy.

Course attendance, contextual reading of the reading list materials indicated, and active participation in class discussions are recommended.

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG or on the Faculty notice board.

**Lecturer**

Sara Balestri: sara.balestri@unicatt.it

**Module 2;** Prof. Marco Colagrossi

COURSE AIMS AND INTENDED LEARNING OUTCOMES

The aim of the course is to offer students the interpretative skills to understand and critically analyse the main phenomena of international monetary economics. The course aims to equip students with the knowledge and ability to discern the objectives and instruments of international monetary policies, both theoretically and concerning concrete situations.

Intended Learning Outcomes

Knowledge and understanding

Students will be able to apply analytical economic tools to the analysis of international finance, using standard tools of microeconomics and macroeconomics. Students will appreciate the relevance of the main international institutions, acquiring an adequate knowledge of the events related to their creation and operation.

**Applied knowledge and understanding**.

Students will be able to understand and interpret data and policies related to international trade and exchange rate dynamics. Students will also be able to understand both the textbook and readings and articles from the specialist press presented during the course. At the end of the course, students will be able to examine the issues related to international integration processes, aware of the determinants and political and social implications of different political and institutional choices.

Autonomous judging skills.

Students will be able to critically analyse economic policy decisions such as trade agreements, the implementation of tariffs and tariffs, and monetary policy decisions.

COURSE CONTENT

Module 2 (30 hours) *Balance of payments and international finance*

(Prof. Marco Colagrossi)

In particular, the following topics will be addressed:

1. The national accounting system and balance of payments, the inter-temporal approach to current accounts
2. The exchange rate market
3. Covered and uncovered interest rate parity
4. Purchasing power parity and the long-term exchange rate
5. Fixed exchange rates and intervention in the foreign exchange market
6. Optimal currency areas and the Euro

READING LIST

Reference manual for the course:

P.R. Krugman-M. Obstfeld-M. Melitz

* *Economia Internazionale Vol. 2, Economia Monetaria Internazionale,*Pearson Italia, Milan-Turin, 2019, Eleventh edition, Chapters 1-7 + 10 (Module 2)

Teaching notes prepared by the lecturers will also be made available to students. Detailed information on classroom topics, required chapters and reference reading list, as well as texts and materials for any classroom discussions will be made available by lecturers on the Blackboard platform. The information provided on Blackboard summarises the complete reading list necessary for exam preparation. The Blackboard platform will also be the tool to communicate schedule changes, exam information, any schedule changes and more. All students (attending and non-attending, both on and off course) are invited to register on the Blackboard page of the course and to keep up to date.

TEACHING METHOD

Frontal lectures, and class discussions on papers, official documents and selected articles from the specialist press.

ASSESSMENT METHOD AND CRITERIA

A written exam. The possibility of taking an interim written test at the end of each teaching module will be discussed with the attending students. The assessments will take into account the degree of understanding and knowledge of the contents, as well as the quality of presentation of the answers (structure, accuracy, depth of the answer). The exam takes place in written form and is divided into two sections. The first section comprises 14 multiple-choice questions, the second comprises 2 open-ended questions. The exam may be carried out online if the University's requirements make it necessary.

NOTES AND PREREQUISITES

Given its content and method, the course requires a basic knowledge of and certain familiarity with the use of the analytical tools of Political Economy. All students are strongly advised to ascertain their basic preparation level and to fill any gaps using the materials related to the basic course in Political Economy. Course attendance, contextual reading of the indicated bibliographic materials, and active participation in class discussions are recommended.

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG or on the Faculty notice board.