# International Economics

## Prof. Emilio Colombo

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

The course aims to provide students with the interpretative keys to understand and critically analyse the main events of international economics (trade and finance). The course will give some answers on the most important questions related to the international economy. What drives the competitiveness of nations? How much should we be scared of countries with lower wages? Do we need to worry about Brexit? What explains the exchange rate between Dollar and Euro? Why so much complaints about the Euro?

*Knowledge and understanding*. Students will deepen their knowledge of economic analytical tools related to international trade and international finance, using standard tools of microeconomics and macroeconomics.

*Ability to apply knowledge and understanding*. Students will be able to understand and interpret data and policies related to international trade and the behaviour of the exchange rate*.*

*Independence of judgement*. Students will be able to critically assess decisions of economic policy such as trade agreements, implementation of tariffs and taxes and decisions of monetary policy.

*Ability to learn*. Students will be able to understand the textbook and readings and articles taken from specialised press presented during the course.

***COURSE CONTENT***

1. **International trade theory**
   * Globalization and the role of trade in the long-term growth.
   * The concept of comparative advantage.
   * Differences in technology: the Ricardian Model.
   * The specific factors model.
   * Factor endowments: Heckscher-Ohlin Model.
   * The role of economies of scale and trade.
   * Firms in the global economy: exports, outsourcing and multinational firms.
2. **Trade policy** 
   * Instruments of trade policy.
   * The political economy of trade policy.
3. **Balance of payments and international finance** 
   * National Income Accounting and the Balance of Payments. Intertemporal approach to current accounts.
   * The foreign exchange markets.
   * Covered and uncovered parity and interest exchange rate.
   * The purchasing power parity and the long run equilibrium exchange rate.
   * Monetary and fiscal policy in an open economy.
   * Fixed exchange rates and interventions in the market of exchange rate.
   * Optimum currency areas and the Euro.

***READING LIST***

P. Krugman-M. Obstfeld-M. Melitz, *Economia Internazionale* (11th edition) Vol.1 (Teoria e Politica del Commercio Internazionale), Pearson, 2019, chapters 2-12 included (part I).

P. Krugman-M. Obstfeld-M. Melitz, *Economia Internazionale* (11th edition) Vol.2 (Economia Monetaria Internazionale), Pearson, 2019, chapters 1-7 + 10 (part II).

Lecture notes made available by the lecturer on Blackboard.

***TEACHING METHOD***

Standard lectures.

***ASSESSMENT METHOD AND CRITERIA***

Students will be assessed through a written test. For attending-students there might be a possibility to take an interim written test at the end of the first semester and will cover the first part of the course (part a and b of the syllabus above). The second test will be at the end of the second semester on part c of the syllabus.

Interim tests as well as standard exams will have the same structure. They will be composed of two sections.

* Section A: multiple choice questions (accounts for 40% of the final mark)
* Section B: open-ended questions (accounts for 60% of the final mark).

More details about the structure of the exam will be posted on the Blackboard page of the course.

The assessment will take into account the level of the knowledge and understanding of the course topics and the quality of the answers (structure, accuracy, depth and use of correct terminology).

***NOTES AND PREREQUISITES***

Students are required to have the knowledge of the essential tools of microeconomics and macroeconomics taught in the course Principles of Economic.

In case the current Covid-19 health emergency does not allow frontal teaching, remote teaching and assessment will be carried out following procedures that will be promptly notified to students.

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