# International Economics

## Emiliano Santoro

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

The aim of this course is to familiarize students with the key concepts of international trade and finance. The course introduces students to theories by which they can understand patterns of international trade, address the complexities and interdependencies of economic activity in a rapidly changing world, understand and interpret the behavior of the exchange rates, and critically evaluate policy decisions such as trade agreements, tariff and tax imposition, and monetary policy.

At the end of the course, students will:

1. know and understand the key theories, models, concepts, and tools of international trade for explaining interactions between countries and economic regions and understanding real-world economic behaviour
2. be able to assess the possible outcomes of various trade policy instruments and analyse the implications of trade liberalisation
3. gain knowledge of the main facts related to the recent trends of globalisation, the institutions of the global trading system and the main patterns of economic integration
4. be able to explain some of the simple relationships that exist between money, exchange rates, price levels and interest rates
5. develop appropriate technical and linguistic skills to express their views clearly and effectively on topics related to international trade and international monetary economics

### **COURSE CONTENT**

*International trade* module. Stylized facts about globalization. Models of comparative advantage: productivity, factor endowments and international trade. Krugman-Melitz model: economies of scale and international trade. Multinational companies and Foreign Direct Investments. Commercial policy instruments. The costs and benefits of protectionism, multilateral and bilateral negotiations.

*International monetary economics* module. The main components of the balance of payments: current account and capital movements. The links between balance of payments, exchange rate regimes, and monetary policy. The links between interest rates and exchange rates: covered parity and uncovered interest rates. The links between prices and the exchange rate: the law of one price and purchasing power parity. Violation of the purchasing power parity condition. Determinants of the real exchange rate. Internal and external balance: adjustment and financing. Optimal currency areas and the Euro.

### **READING LIST**

P. Krugman-M. Obstfeld-M. Melitz, International Economics: Theory and Policy, 12th Edition, Pearson, 2022

Information about chapters to study and additional teaching materials prepared by the lecturer will be available on Blackboard.

### **TEACHING METHOD**

Lectures.

### **ASSESSMENT METHOD AND CRITERIA**

Students are assessed through a written exam consisting of theoretical questions and quantitative exercises on the entire course program.

* Students can split the exam in two parts, a partial examination and a final examination or simply have one general exam at the end of the course. Both will contribute equally to the determination of the final mark.
* To pass the assessment, students will have to get at least 18/30.

Further information will be available on Blackboard.

***NOTES AND PREREQUISITES***

Prerequisites: microeconomics, macroeconomics, mathematics. These are essential for an adequate understanding of the lectures. Students who do not fulfill the prerequisites are requested to contact the lecturer before the course starts. Attendance and active participation in class are strongly recommended.

Further information can be found on the lecturer's webpage at https://docenti.unicatt.it/ppd2/it/docenti/18142/emiliano-santoro/didattica.