**International Economics**

## Prof. Marco Grazzi

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

The course aims to provide a conceptual framework of reference to understand – at an introductory level – the key topics related to the globalisation process. The first part aims to allow students to acquire a basic knowledge of the main determinants and implications of international trade. The second part will examine the tools and models for the analysis of the problems related to international monetary economics. The third part will explore internationalisation processes of businesses, the causes and consequences of real and financial globalisation. The theoretical lectures will be supported by references to concrete examples taken from the latest trends of international economics.

At the end of the course, students will be able to:

1. know and understand the key international trade models that can be used to interpret, in the medium-long term, the evolution of international commercial exchanges.
2. know and understand the key international monetary economics models that can be used to interpret the evolution, in the short-medium term, of the income produced by an economy that is open to international relations.
3. know and understand some of the simple relationships existing between exchange rates and other fundamental elements, such as the level of prices and interest rates.
4. use their newly-acquired knowledge and skills for the analysis of the main topics related to real and financial globalisation;
5. get familiar with technical language and some theoretical models, in order to communicate, in a clear and effective way, their newly-acquired knowledge.

***COURSE CONTENT***

The course is divided into three parts:

*The Pure Theory of International Trade.* Stylised facts on globalisation. The Ricardian model: workforce productivity and comparative advantages. The HOS model: factor endowments and comparative advantages. The Krugman-Melitz model: economies of scale and international trade. The role of externalities in international trade flows. Multi-national enterprises and Foreign Direct Investments. The tools of commercial policies. The costs and benefits of protectionism, multilateral and bilateral negotiations.

*International Monetary Economics*. The key elements of the balance of payments: current accounts and capital movements. The link between the balance of payments, the exchange rate regime, and monetary policies. The links between interest and exchange rates: covered and uncovered interest rate parity. The links between prices and exchange rate: the law of one price and purchasing power parity. The violation of the purchasing power parity condition. The determinants of real exchange rate. Internal and external balance; adjustment and financing.

*Internationalisation processes of business and global value chains.* Analysis of the determinants of participation in international markets of businesses. Different international market entry strategies. The key determinants of real and financial globalisation. The main consequences of real and financial globalisation: an assessment of its effects on growth, poverty, and income distribution. A case study: the European economic-monetary integration.

***READING LIST***

1. P. Krugman-M. Obstfeld-M. Melitz, *Economia Internazionale, Teoria e Politica del Commercio Internazionale*, Pearson, Addison Wesley, Milan, 2019 (11th edition).
2. P. Krugman-M. Obstfeld-M. Melitz, *Economia Internazionale, Economia Monetaria Internazionale,* Pearson, Addison Wesley, Milan, 2019 (11th edition).
3. G. De Arcangelis, *Economia Internazionale*, McGrow Hill Education, 2017 (4th ed.).

Slides and further teaching material will be made available on Blackboard.

***TEACHING METHOD***

The course will consist in frontal lectures and practical activities, and it will be supported by the use of Blackboard and the latest teaching tools allowing the active participation of students in class.

***ASSESSMENT METHOD AND CRITERIA***

Students’ knowledge is assessed with a *written exam* consisting of theory questions and numerical exercises, covering the whole course programme. With this exam method the awarded mark is entirely based on students’ performance in this single exam.

For students participating in group work, 30% of the final mark is based on the paper and 70% on the final written exam. The written exam covers the whole course programme also in this case, but students may exclude a question of their choice from the final exam (the duration of the exam will be adjusted accordingly). The subject matter of group work may be suggested by students, but it must be approved by the lecturer within the deadlines set at the beginning of the course.

The exam aims to assess the knowledge of the theory and the students’ ability to apply the concepts and the tools acquired during the course to the analysis of the most relevant topics related to the globalisation process. In addition, the assessment will also take into account the students’ argumentative thinking skills and analytical rigour, and the use of an appropriate technical language.

Further information of the final assessment will be made available on Blackboard.

***NOTES AND PREREQUISITES***

*Prerequisites*

A good knowledge of microeconomics and macroeconomics.

These prerequisites are essential for an adequate understanding of the course content. The students who lack this knowledge are invited to contact the lecturer before the beginning of the course. Class attendance is highly recommended, through an active participation during the lectures.

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.