



UNIVERSITÀ
CATTOLICA
del Sacro Cuore

International economics

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Course aims and intended learning outcomes

The aim of this course is to analyse the key factors that affect the competitive position of a nation by investigating the economic forces that drive trade integration and how globalisation is changing the macroeconomic scenario. The course will give some answers on the most important questions related to the international economy. What drives the competitiveness of nations? Are emerging nations competing unfairly due to lower wages? Should we be scared of Chinese competitiveness? What is the role played by multinationals in the world economy? What explains the current stalemate in the world trading system? How trading rules can be modified to help poorer countries to grow faster? Why the UK decided to leave the EU? What are the consequences of Brexit for the EU? Why so much complaints about the Euro? Should exit be considered as a viable option? The course will provide answers to these and other questions by mixing economic theory with facts and case studies.

Knowledge and understanding.

Students will deepen the knowledge of analytical tools related to international trade and international finance, using standard economic tools of respectively microeconomics and macroeconomics.

Applying 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. Students will be able to understand the textbook and articles taken from popular and specialised press presented during the course.

Making judgements.

Students will be able to critically assess policy decisions such as trade agreements, implementation of tariffs and taxes and monetary and exchange rate policy.

Course content

- a. Trade theory
 1. Comparative advantage: concepts and definitions
 2. Differences in technology: the Ricardian Model
 3. Specific Factor and income distribution
 4. Factor endowments: Heckscher-Ohlin model
 5. Economies of scale and trade
 6. Firms in the global economy: exports, outsourcing and multinational firms
- b. Trade policy
 7. Instruments of trade policy
 8. The political economy of trade policy
- c) Balance of payments and international finance
 9. National Income Accounting and the Balance of Payments
 10. The foreign exchange market
 11. Exchange rate and interest parity
 12. The long run equilibrium real exchange rate and the purchasing power parity
 13. Fixed exchange rates, official intervention
 14. Optimum currency areas and the Euro.



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Reading list

P. Krugman-M. Obstfeld-M. Melitz, *International Economics: Theory and Policy*, eleventh edition
Pearson, 2018, ch. 2-18 + ch 20.

Lecture notes on Blackboard.

Reading material on Blackboard.

Teaching method

Standard lectures.

Assessment method and criteria

The exam is a written paper – administered through during official dates (appelli) – composed by multiple choice questions (accounting for 40% of the final mark) and open questions (accounting for 60% of the final mark).

Exact dates will be displayed on the I-catt portal. It will be assessed the possibility of undertaking an intermediate exam in a date agreed with the students.

Oral exam is not compulsory; students may ask for an oral exam, that can improve or worsen the grade received on the written test. Teachers may also invite students, with a grade slightly below “pass” level, to sit an oral exam.

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

Office hours:

See the webpage of the lecturer.