International Economics
(ECO 2011e)

Syllabus

Winter term 2019-20

Weekly hours: 4
ECTS-Credits: 5
Workload: 150 hours, 60 hours within class, 90 for self-study
Time: Wednesday 09.45 – 11.45
Thursday 17.15 – 18.45

Begin: -
Level: Advanced
Prerequisites: Basic knowledge in microeconomics and macroeconomics

Outline of the Course

1. International trade
   1.1. History of trade
   1.2. Theory of international trade
      1.2.1. Gains from trade by comparative advantage
      1.2.2. Winners and losers of international trade
      1.2.3. Gains from trade by economies of scale
   1.3. International Trade Policy
      1.3.1. Instruments of trade policy
      1.3.2. Trade policy concepts:
         Free trade doctrine,
         Import substitution policy,
         Export-oriented industrialization
         Globalization critique
      1.3.3. The World Trade Organization

2. Growth in open economies
   2.1. The Solow-Swan model
   2.2. Economic policy conclusions

3. Exchange rate theory and exchange rate policy
   3.1. Exchange rate theory
      3.1.1. The balance of payments
      3.1.2. Supply and demand on foreign exchange markets
      3.1.3. Purchasing power parity and interest rate parity
   3.2. Exchange rate policy
      3.2.1. The influence of the central bank on the exchange rate
3.2.2. Fixed exchange rate policy
3.2.3. Flexible exchange rate policy

3.3. Is the European Monetary Union an optimal currency area?
3.3.1. The theory of optimal currency areas
3.3.2. Empirical evidence for the European Monetary Union
3.3.2. The European debt crisis 2010

4. International financial market crises
4.1. The ingredients of a financial market crisis
4.2. Lessons from history
   4.2.1. The Dutch tulip crisis 1636-37
   4.2.2. The world economic crisis of 1929
   4.2.3. The dot-com crisis 2000
   4.2.4. The subprime crisis 2007-09
   4.2.5. The East Asian financial market crisis 1997-98

Lecture notes:
• http://www.rainer-maurer.com/pageID_9427995.html

Additional literature:
• Krugman, P.R. Obstfeld, M.: International economy. Theory and Politics of Foreign Economic Activity (Chapter 6, 8, 9, 10, 11)
• Siebert, Horst; Introduction to economics (chapter 15)
• Baßler, Ulrich, et al.; Basics and Problems of the Economy (Chapter 9, 20, 27)
• Mankiw, Gregory; Macroeconomics (Chapter 12)

Learning targets:
At the end of the course the students will ...
• ...understand the different reasons for international trade according to classical and new trading theory.
• ... analyze the impact of international trade on the welfare of producers and consumers.
• ... the different instruments of trade policy in their effect on the welfare of producers and consumers.
• ... be able to explain different trade policy concepts.
• ...understand the reasons for international trade agreements.
• ... understand the growth process in open economies and explain the economic policy consequences.
• ... be able to characterize the determinants of exchange rates.
• ... be able to explain the influence of central banks on exchange rates.
• ... be able to explain the functioning of fixed and flexible exchange rate systems.
• ... be able to explain the risks and opportunities of the European Monetary
Union on the basis of the theory of optimal currency areas.
• ... be able to understand the development of speculative bubbles and explain the typical pattern of important international financial market crises.

**Responsible teacher:** Rainer Maurer