

International Economics

B.Sc. International Business and Politics

Fall 2010
(preliminary version)

Lecturer:	Paul Deng, pdd.eco@cbs.dk Assistant Professor of Economics Department of Economics, CBS
Office Hour:	Open-door policy, or appointment by email Office is located at Porcelænshaven 16A, 3.55.
Lecture Schedule:	2 ½ hours for each meeting, twice a week, from week 36 to week 41.
Credits:	7.5 ECTS
Literature:	Krugman and Obstfeld: <i>International Economics: Theory and Policy</i> (Pearson Addison, Wesley and Longman, 8 th edition; previous editions, published after 2000, are also fine). Additional reading materials, including lecture notes, will be posted on my teaching website at: http://www.pauldeng.com/teaching/intecon/index.html Regular announcements, including course syllabus, can be found at e-cbs.dk.
Teaching Methods:	Lectures
Purposes:	To enable students to understand and explain why countries trade with each other, patterns of trade flows, basic trade theories, and trade policies; Also to understand and explain balance of payments, how exchange rates are determined, exchange rate regimes, and international macro policies.
Content:	This course offers introduction to international economics. In the first part of the course, we study International Trade theories that focus on the behavior of the “real” economic variables; In the second part of the course, we study

International Finance theories with addition of “monetary” variables. We also develop a theoretical framework that allows us to understand the interaction between “monetary” and “real” variables.

Learning objectives:

After the course students should be able to:

- Explain basic terminology from International Economics (e.g. "comparative advantage", "factor abundance", "factor intensity" etc.) in a comprehensive and intuitive way.
- Describe and rationalize the main assumptions behind trade models such as Ricardian model, Heckscher-Ohlin model, and imperfect competition model.
- Perform policy experiments (e.g. the impact of introducing tariffs).
- Illustrate diagrammatically these models and perform analysis of the pattern of trade, gains of trade and effect on the income distribution from trade.
- Solve algebraically simple trade models (e.g. imperfect competition models.) in order to determine the equilibrium economic variables (e.g. price, average costs, quantity, profit, etc.).
- Describe and rationalize the main assumptions behind the main models of Open-Economy Macroeconomics, such as models based on PPP, the uncovered interest parity, etc. Illustrate diagrammatically these models, perform policy experiments (like changing the Money Supply) and interpret verbally what happens when equilibrium changes from one to another.

Examination date:

October 22, 2010.

Examination form:

4-hour open-book exam

Assessment Criteria:

Graded by the teacher according to the 7-point scale.

Course Plan

(preliminary, subject to change, please refer to course website)

Week (session)	Content
36 (1)	Krugman and Obstfeld (KS hereafter), Chapter 1&2: Introduction to the course and overview of world trade
36 (2)	KS Chapter 3: Ricardian model and Theory of Comparative Advantage
37 (1)	KS Chapter 4: Heckscher-Ohlin model
37 (2)	KS Chapter 5&8: Standard trade model and instruments of trade policy
38 (1)	KS Chapter 9: International trade policy, Part 1
38 (2)	KS Chapter 10 & 11: International trade policy, Part 2
39 (1)	KS Chapter 12&13: National income accounting, balance of payments, and introduction to FX market
39 (2)	KS Chapter 14: Money, interest rates and exchange rates
40 (1)	KS Chapter 15&16: Exchange rate in the long run and short run
40 (2)	KS Chapter 17&18: Exchange rate regimes, Part 1
41 (1)	KS Chapter 17&18: Exchange rate regimes, Part 2
41 (2)	Global financial crisis
42	Final Exam (October 22)