

# **International Economics**

## **B.Sc. International Business and Politics**

**Fall 2011**  
**(Preliminary, subject to change)**

---

Course Coordinator:	Paul Deng, pdd.eco@cbs.dk Department of Economics
Faculty:	Paul Deng
Office Hour:	TBA Office is located at Porcelænshaven 16A, 3.55.
Schedule: <i>Lectures</i>	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> , 8 <sup>th</sup> edition (all other editions, published after 2000, are also fine).  All reading materials, including lecture notes, and regular announcements will be posted on my teaching website at: <a href="http://www.pauldeng.com/teaching/intecon">http://www.pauldeng.com/teaching/intecon</a>
Teaching Methods:	Lectures
Purposes:	To enable students to 1) use the basic trade theories to explain why countries trade with each other, what to trade, basic trade patterns, and the impact of world trade; 2) to understand balance of payments, how exchange rate is determined, how different are fiscal and monetary policies under an open economy, the main exchange rate regimes and the history of international monetary systems.
Content:	This course offers detailed introduction to international economics, and it includes two parts: international trade and international finance. In the first part, we study the classic trade theories, which explains why international trade took place, what are the benefits of international trade, and in what patterns countries trade with each other.

We also study basic trade policy tools and their implications. In the second part, we study the balance of payments, the basics of exchange rates and how they are determined, how fiscal and monetary policies will be different when exchange rates come into play. We also study exchange rate regimes and the history of international monetary systems.

Learning objectives:

After the course the student should be able to:

- Explain basic terminology in International Economics (e.g. "comparative advantage", "factor abundance", "factor intensity" etc.)
- Describe and understand the basic trade models such as Ricardian model, Heckscher-Ohlin model, and Krugman's imperfect competition model.
- Perform policy experiments (e.g. the impact of introducing tariffs and quotas).
- 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.).
- Understand the basic concepts such as BoPs, PPP, UIP, and what determines exchange rate in both short and long runs.
- Understand the dynamics of macroeconomic policies (both fiscal and monetary) when exchange rate is in play, and perform policy experiments (like what happens when money supply changes).
- Understand exchange rate regimes
- Have a basic understanding of the evolution of the international monetary systems.

Examination date:

October 27, 2011.

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, based on 8<sup>th</sup> ed. textbook, please refer to course website at <http://www.pauldeng.com/teaching/intecon>)

---

<b>Week (session)</b>	<b>Content</b>
36 (1) Chapter 1 Chapter 2	Introduction to the course Overview of world trade
36 (2) Chapter 3	Ricardian Model: the theory of comparative advantage
37 (1) Chapter 4	The Heckscher-Ohlin Model and its implications on income distribution
37 (2) Chapter 5	Standard trade model
38 (1) Chapter 6	Krugman's imperfect competition model
38 (2) Chapter 12 Chapter 13	Balance of payments, or BoPs Exchange rate and foreign exchange (FX) market
39 (1) Chapter 14 & 15	Money, interest rates and exchange rates Purchasing Power Parity (PPP) and the long-run exchange rate models
39 (2) Chapter 16	Macro policies in an open economy
40 (1) Chapter 17	Exchange rate regimes
40 (2) Chapter 18 & 19	<del>History of international monetary systems</del>
41 (1) Chapter 8	Basic instruments of trade policy
41 (2) Chapter 9&10	Overview of issues in international trade
43	Final exam (Oct. 27, 2011)

\*For the 9<sup>th</sup> ed. textbook, please use the following table, but still refer to course website for detailed reading requirements.

---

<b>Week (session)</b>	<b>Content</b>
36 (1) Chapter 1 Chapter 2	Introduction to the course Overview of world trade
36 (2) Chapter 3	Ricardian Model: the theory of comparative advantage
37 (1) Chapter 4&5	The Heckscher-Ohlin Model and its implications on income distribution
37 (2) Chapter 6	Standard trade model
38 (1) Chapter 7	Krugman's imperfect competition model
38 (2) Chapter 13 Chapter 14	Balance of payments, or BoPs Exchange rate and foreign exchange (FX) market
39 (1) Chapter 15 & 16	Money, interest rates and exchange rates Purchasing Power Parity (PPP) and the long-run exchange rate models
39 (2) Chapter 17	Macro policies in an open economy
40 (1) Chapter 18	Exchange rate regimes
40 (2) Chapter 19	<del>History of international monetary systems</del>
41 (1) Chapter 9	Basic instruments of trade policy
41 (2) Chapter 10&11	Overview of issues in international trade
43	Final exam (Oct. 27, 2011)