

## **ECON 340**

### **International economics**

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**Office Hours:** 3:00 pm-5:00 pm.  
**Office Location:** Escalier M E603  
**Course Code:**  
**Course Name:** International Economics  
**Credit:** 3  
**Class Hours:** Thursday 2:00 pm-5:00 pm  
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### **COURSE SYLLABUS**

**This is a mobile phone-free course. These devices must be switched off or on silent mode and placed in your schoolbag.**

#### **Course description**

This course provides students an overview of international economics with an emphasis on current events and applications, including classical and modern trade theory, the study of trade and exchange-rate policies and international monetary issues. It is organized into two sections. Section one begins by introducing the classical theory of international trade, which explains the basis of and the gains from trade. The theory is then applied to analyze the effects of tariffs and non-tariff trade barriers on the economy, to diagnose the arguments for and against trade protection by individual countries, and to illustrate the efforts by the international community to reduce protection and liberalize international trade. Section two, first explores the link between international trade and economic development, with an emphasis on the developing countries. It then moves on the international finance topics, including international capital flows and exchange rate determination.

#### **Prerequisites**

Macroeconomic and Microeconomic level L1 and L2. Understanding of basic macroeconomic concepts will be assumed.

#### **Recommended Reading**

**Required Textbook:** *International Economics 14th Edition*  
*Author:* Robert J. CATBAUGH  
*Publisher:* South-Western  
*ISBN-13 #:* 978-1-133-94772-1 or *ISBN-10#:* 1-133-94772-1-7

### **Strongly recommended textbooks are:**

- *International Economics*, 13th Edition ISBN e-book 978-1-119-55495-0 Dominick Salvatore.
- *International Economics*, Paul R. Krugman and Maurice Obstfeld, 11th Edition, Addison-Wesley Publishing Company, 2021.
- *International Economics*, Robert J. Carbaugh, 17th Edition, Publisher: South-Western.
- *The World Economy*, John Williamson and Chris Milner, Prentice Hall/Harvester Wheatsheaf, Latest Edition, United Kingdom.
- *The International Economy*. Peter Kenen, Cambridge University Press, 2000.

### **Course objective :**

This course provides an analysis of the economic relationships between countries, covering both trade and monetary issues. The first half of the course, titled **International, trade relations**, deals with international trade theory and policy. It will explore important topics such as why countries trade with each other and the effect of international trade on welfare and income distribution. It will also analyse the role of firm heterogeneity in international trade and the links between globalisation and inequality.

The second half of the course titled **International monetary relations**, considers international macroeconomics. Covering key topics such as the balance of payments accounts, open economy income identities, the liquidity trap, and the effect of currency valuations, you will gain a comprehensive understanding of the current policy environment and its impact on international trade relations.

My goal is to motivate students to learn this subject. The best way to arrive to this goal is to demonstrate how international economics is used in practice. It is why I develop many exercises titled **Classwork**.

This course will provide a basis for further studies in International Business and Finance by developing an insight into a broad range of economic aspects of at the international level (USA, the European Union institution, Asia...etc.) and by allowing students to have a better understanding of the regional trade regimes

### **Learning Outcomes**

By taking this course :

- Students will understand and demonstrate core macro-economic terms, concepts, and theories (GDP, unemployment, aggregate demand/supply, etc.).
- They will understand general economic concepts (supply & demand, comparative advantage, opportunity cost... etc.).
- They will be able to identify key macroeconomics indicators, and measures of economic change, growth, and development.
- They will be able to describe how economic trade-offs and social values impact public/private policy.

- They will be able to explain how fiscal and monetary policies can be used to promote equity.
- They will be able to explain the function of markets and prices as allocative mechanisms.
- They will be able to identify the sources of comparative advantage for a country in its external and internal environment, and formulate or critique a country's strategy.
- They will be able to formulate and defend a monetary or fiscal strategy that would produce desired outcomes.

## ***Requirements and grading***

**Grade:** 2 rounds exam 50% each and final exam in May; written homework.

1<sup>st</sup> exam: Thursday 21<sup>st</sup> March 2024.

2<sup>nd</sup> exam: Between May 4 and May 27 2024 (the administration will give you the exact day)

I will give you examples of questions I will ask you. Most classwork questions will be on the exams.

Students who merely attend classes and participate during the question review can earn some points on the final grade.

**Written homework:** Please print your name (first name and then last name) and the **due date** at the top of each homework. For each homework, write **four full pages** at maximum. I will read them to see if you made a good effort. Each homework will receive either "Credit" or "Re-Do". I will count how many homework you receive "Credit"; this will help me to determine your final grade.

**I do not accept homework by e-mail.**

## ***University Guidelines on academic honesty***

Honesty and trust are important to all of us as individuals. Students and all faculties adhere to the fundamental principles of academic honesty as **individual accountability** for all individual work, written or oral. Copying from others or providing answers or information writing or oral, to others is cheating. Providing **proper acknowledgment of original author**. Copying from another student's paper or from another text without written acknowledgment is plagiarism. Unauthorized help from another person or having someone else write one's paper or assignment is collusion. Cheating, plagiarism, collusion are serious offenses resulting in an F and disciplinary action.

## ***Topics Covered***

### **1. Introduction**

#### **Part 1 International Trade Theory**

2. The Law of Comparative Advantage
3. The Standard Theory of International Trade
4. Demand and Supply, Offer Curves, and the Terms of Trade
- 5 Factor Endowments and the Heckscher–Ohlin Theory
6. Economies of Scale, Imperfect Competition, and International Trade
7. Economic Growth and International Trade

#### **Part 2 International Trade Policy**

8. Trade Restrictions: Tariffs
9. Nontariff Trade Barriers and the New Protectionism

10. Economic Integration: Customs Unions and Free Trade Areas
11. International Trade and Economic Development
12. International Resource Movements and Multinational Corporations

**Part 3 The Balance of Payments, Foreign Exchange Markets, and Exchange Rates**

13. Balance of Payments
14. Foreign Exchange Markets and Exchange Rates
15. Exchange Rate Determination

**Part 4 Open-Economy Macroeconomics and the International Monetary System**

16. The Price Adjustment Mechanism with Flexible and Fixed Exchange Rates
17. The Income Adjustment Mechanism and Synthesis of Automatic Adjustments
18. Open-Economy Macroeconomics: Adjustment Policies
19. Prices and Output in an Open Economy: Aggregate Demand and Aggregate Supply
20. Flexible versus Fixed Exchange Rates, the European Monetary System, and Macroeconomic Policy Coordination
21. The International Monetary System: Past, Present, and Future