

International Macroeconomics II (21249)

Degree/study: International Business Economics (IBE)

Course: third or fourth

Term: third

Number of ECTS credits: 5 credits

Hours of student's dedication: 125 hours

Language or languages of instruction: English

Professor: Pedro García del Barrio and Benedikt Herz

1. Presentation of the subject

The purpose of this subject is making the students familiar with the manner in which the economies operate in a global world. The course deals with some of the main topics on international macroeconomics, including international trade, competitiveness, growth, etc. The program tackles some issues that are in the agenda of policy makers.

2. Competences to be attained

G1. Comprender e interpretar de manera pertinente y razonada textos escritos de nivel y carácter académicos.

G4. Ser capaz de utilizar la lengua inglesa en todos los ámbitos laborales (leer, escribir y hablar en un registro alto)

G7. Desarrollar la capacidad de razonamiento autónomo con distancia crítica en temas o cuestiones controvertidas.

G9. Tener consolidados hábitos de autodisciplina, autoexigencia y rigor en la realización del trabajo académico, así como en la organización y en su correcta temporalización.

G10. Tener una actitud proactiva en el deseo de conocer aquello ignorado, imprescindibles en todo proceso formativo y en toda actividad profesional con proyección.

G11. Ser capaz de aplicar con flexibilidad y creatividad los conocimientos adquiridos y de adaptarlos a contextos y situaciones nuevas.

G13. Demostrar un nivel de conocimientos suficientes para la actuación Profesional.

G14. Conocer los diferentes contextos en los que trabaja: la coyuntura económica, el sector, el mercado, la empresa y el departamento.

3. Contents

Part I. Review of Preliminary Topics

Chapter 1. Introduction to International Macroeconomics

- 1.1. The concepts of absolute and comparative advantage.
- 1.2. The balance of payments: international trade and capital flows.
- 1.3. Competitiveness and exchange rates.

Chapter 2. The Instruments of Trade Policy

- 2.1. Import tariffs and quotas under perfect competition.
- 2.2. Import tariffs and quotas under imperfect competition.

- 2.3. The case for free trade and efficiency.

Part II. Trade and Economic Policies in the Open Economy

Chapter 3. International Trade and Development

- 3.1. Natural resources and growth.
- 3.2. Trade and economic development.
- 3.3. International policies and income distribution.

Chapter 4. The Global Macroeconomy

- 4.1. Trade in the global economy.
- 4.2. Globalization of finance: debts and deficits.
- 4.3. Government and Institutions.

Chapter 5. The AD-AS Model in the Open Economy

- 5.1. Internal and external macroeconomic equilibrium.
- 5.2. Net exports, capital flows and the IS-LM model.
- 5.3. Introduction to the balance of payments (BP) function.

Chapter 6. Economic Policies in the IS-LM-BP Model

- 6.1. International flows of capital and the Mundell-Fleming model.
- 6.2. Monetary policy with fixed and floating exchange rates.
- 6.3. Fiscal policy with fixed and floating exchange rates.
- 6.4. Devaluation under fixed exchange rates.

4. Assessment

The economic theory is learned gradually, relying on understanding and analytical skills rather than on memory. Experience shows that students who work consistently perform best. Therefore, attending classes is strongly encouraged, being a compulsory prerequisite to be rated in the on-going evaluation system.

The overall grade (N_G) consists of two elements. The first **20%** corresponds to the on-going assessment system, which requires of course attending the seminars. The rest (i.e. **80%**) depends on the questions raised in the formal lectures and on the final examination. The way in which the weighted average of the mark is calculated encourages the students to do their best in partial evaluation. However, the system does no harm to the incentives for putting effort until the end, since a bad grade in the partial mark is unimportant if the final exam is all right.

1. **On-going assessment system.** The students hand in on due time the comments and reports required in the seminars. To obtain the mark of the on-going evaluation, the geometric mean between tasks and attendance is computed. It means that the mark N_{ec} is calculated as the square root of multiplying the two scores.

2. **Grades from the formal lectures and exams.** There are here two elements: the partial evaluation and the mark of the final exam. The first (N_p) can be worth up to 20% of the global grade, while the final (N_f) ranges between 60 and 80% of it, depending on the mark obtained in the partial evaluation. The type of questions asked in the exams will be discussed in class.

In summary, the global final mark (N_G) of the subject is calculated by:

$$N_G = 0.2 \cdot N_{ec} + 0.8 \cdot \left(0.2 \cdot N_p + \left(1 - \frac{0.2 \cdot N_p}{100} \right) \cdot N_f \right)$$

where the different grades (N_G , N_{ec} , N_p and N_f) ranges between 0 and 100.

In summary, the final mark is composed by three elements:

- On-going evaluation – Seminars: 20% of the global final mark.
- On-going evaluation – Formal lectures: (up to) 20% of the global final mark.
- Final examination: 60% (or up to 80%) of the global final mark.

To pass the final exam, the students must achieve no less than 45% of the mark. The students who fail at the first chance will face a second opportunity to pass the course by retaking the exam. In this case, the grade obtained in the on-going evaluations system is maintained for calculating the overall final mark.

5. Bibliography and teaching resources

5.1. Basic bibliography

Paul R. Krugman, Maurice Obstfeld and Marc Melitz (2011), 9th Edition: «International Economics: Theory and Policy». Pearson Addison-Wesley, Boston. (ISBN-13: 978-0132146654)

Robert C. Feenstra and Alan M. Taylor (2011), 2nd Edition: «International Economics». Worth Publishers. (ISBN-13: 978-1429231183)

Rudiger Dornbusch; Stanley Fisher and Richard Startz (2010), 11th Edition: «Macroeconomics». McGraw-Hill/Irwin. (ISBN-13: 978-0073375922)

5.2. Additional bibliography

Gregory Mankiw (2012), 8th Edition: «Macroeconomics». Worth Publishers. (ISBN-13: 978-1429240024)

Julian L. Simon (1998): «The Ultimate Resource 2». Princeton University Press; Revised Edition. Princeton, New Jersey. (ISBN-13: 978-0691003818)

Karl E. Case, Ray C. Fair, Sharon C. Oster (2011), 10th Edition: «Principles of Macroeconomics». Prentice Hall. (ISBN-13: 978-0132552912)

5.3. Teaching resources

The reference textbooks, power point materials and various other readings.

6. Methodology

As any other discipline in the field of economic theory, the study of International Macroeconomics must be done gradually. Regarding the learning achievements, capacity of analysis and comprehension are more important than memory. Experience teaches that students who work on a regular basis get the best results.

7. Activities Planning