

Course description

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| Course title: Intermediate International Economics | | Neptune code of course: GTGKG2033MNA Institute of Economic Theory and Methodology |
| | | Course type: module |
| Course coordinator | | Zoltan Bartha, Phd https://gemi.uni-miskolc.hu/zolibartha |
| Syllabus: | | https://gemi.uni-miskolc.hu/IIE |
| Recommended semester: 4 Spring | | Precondition: - |
| Time of classes: | | Monday 12:00-15:30 |
| Place of classes: | | Building A1/311 |
| Number of lessons/week: 2+2 | | Acknowledgement of course completion: signature, written exam |
| Credit value: 5 | | Training format: full-time |
| Aim and content of course: The purpose of the course is to introduce students to the topic of open economies, with special regards to the effect of global labour, capital and currency markets on the national economies. Through the exchange rate theories students understand how economic and exogenous shocks influence the economy, and their personal welfare. | | |
| Competences to be developed: <i>Knowledge:</i> T1, T5, T7 <i>Skills:</i> K1, K4 <i>Attitudes:</i> A1, A2 <i>Autonomy and responsibility:</i> AF5, AF8 | | |
| Schedule of the semester & thematic description of course content: | | |
| | Lecture: | Seminar: |
| 27 Feb | Hot topics of international economics, and study materials of the course. Methods of analysis in international economics, the economics approach. | Benefits from trade. International specialisation Trade theories: Ricardo's and Samuelson's view |
| 6 Mar | Restricting international trade. Protectionism and tariff analysis. | Exercises concerning tariff analysis |
| 13 Mar | International flow of factors (capital and labour). Intertemporal transformation curve and the Samuelson-model. | Exercises concerning the intertemporal transformation curve and the mobility of labour between two countries |
| 20 Mar | Open economies and the exchange rate | Exchange rate regimes and the current account |
| 27 Mar | Interest rate parity. Money markets and exchange rates. | Exercises concerning the interrelation between exchange rates and the interest rate, money supply |
| 3 Apr | The law of one price, and the purchasing power parity condition. Statistics on real life price differences | Real exchange rate – short term equilibrium Exercises concerning the real exchange rate Long term equilibrium of the exchange rate – market of goods and money market combined |
| 10 Apr | Easter break – no teaching | |
| 17 Apr | Midterm exam | Student presentations – International trade |
| 24 Apr | Student presentations – International factor movement | Student presentations – Exchange rates |
| Extraordinary circumstances amendment The information provided in the syllabus was prepared with in-person teaching in mind, and may change if online teaching is introduced. Students will be notified in Neptun about the changes in the latter case. | | |
| Method and evaluation of in-semester assessment: <i>Requirements for obtaining the signature:</i> at least 4 presentation points AND at least 1 class participation point | | |

Students are to form groups of two, and have to give a 15-minute PowerPoint presentation on a previously agreed topic (see appendix for suggestions). During the presentation the students have to cover the following issues: 1) **What happened?** - background story of the case; line of events, current situation, 2) **What can we expect?** – possible outcomes, scenarios, expectations, calculation (you can do this by searching the literature, using statistical data, and trying to relate the presented case to the theories of international economics; 3) **What can we learn from the case?** – pros and cons, who benefits, who pays, what overall message can you take away? Always cite & reference your sources. Use data and figures for illustration, and try to back your opinion with relevant sources, as well as concepts and theories learnt during the semester. The presentation is a must for the signature, and its points count toward the final mark (max 12 points).

Deadlines:

- Topic registration opens in the e-learning system: 28 February, 8:00pm
 - Finalising the two team members & agreeing on the topic of presentation: 13 March, 8:00pm (you will not be able to complete the course if you do not have a topic or a team by this date)
 - Sending the PPT to zoltan.bartha@ekon.me: 16 April
- (The maximum points that can be obtained for the presentation (12) is decreased by one with every day that you are late with)
- Presentation date: last class; see the schedule of the semester (page 1)

If the presentation is not given on the agreed date, the signature is denied. The only way to make up for the lost presentation points is to write a 30-page (~12,000 words) essay on the same topic, discussing the same issues as it was required in the presentation. The essay is declined if any plagiarism is detected.

Deadline for the essay: 30 April

Points for class participation:

- at least 3 occasions: 1 point
- at least 5 occasions: 2 points
- at least 7 occasions: 3 points

Completion requirements and evaluation criteria for seminar grades and exams: you may only take the exam if you obtained a signature from the course

Oral/written exams, or specific methods/practices applied during the course:

Students have the option to write a midterm exam (see the syllabus about the exact date), or they can write the final exam during the exam period. The midterm and the final exam have the exact same structure, they consist of true or false statements (5 points in total; points are awarded if an explanation is given), definitions (4 points), a graph showing the relationships between important economic variables (4 points), and exercises (12 points in total). The time available for the exam is 45 minutes. Students can use a calculator.

The final grade is calculated as follows:

- Presentation: max. 12 points
- Class participation: max. 3 points
- Final test: max. 25 points

Grades: 0-19 points – Fail (1); 20-24 points – Pass (2); 25-29 points – Medium (3); 30-34 points – Good (4); 35-40 points – Excellent (5)

For Erasmus students the following ECTS grading scale will be used: 0-19 points: F (fail); 20-24 points – E (pass); 25-29 points – D (satisfactory); 30-33 points – C (good); 34-37 points – B (very good); 38-40 points – A (excellent).

Required reading:

Most of the materials & more are available in the elearning system: <https://elearning.uni-miskolc.hu/zart/>
Paul R. Krugman – Maurice Obstfeld: International economics – Theory and policy. Pearson 2003, Chapters 3, 4, 7, 8, 13, 14, 15, 16 and 17.

Suggested reading:

Recent issues of The Economist: <http://www.economist.com/>

Robert A. Mundell: International economics. MacMillan 1968

Charles van Marrewijk: International economics: Theory, Application and Theory. Oxford 2007

James Gerber: International economics. Pearson, 2007

Miskolc, 01 February 2023

Details of the student presentation

Task: Students should form groups of two, and prepare a ~15-minute PPT presentation, in which students elaborate on

- What happened? - background story of the case; line of events, current situation
- What can we expect? – possible outcomes, scenarios, expectations, calculation (you can do this by searching the literature, using statistical data, and trying to relate the presented case to the theories of international economics)
- What can we learn from the case? – pros and cons, who benefits, who pays, what overall message can you take away?

Use data and figures for illustration, and try to back your opinion with relevant sources, as well as concepts and theories learnt during the semester.

Deadlines: see page 2 of the syllabus

| | Topic | Issue |
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| INTERNATIONAL TRADE | | |
| 1 | Subsidies and trade | Far from pleasing Europe, the “Inflation Reduction Act” (IRA), which will dole out \$369bn in corporate bungs as early as January, has caused a transatlantic spat. The primary gripe of the EU, which deals with matters of trade on behalf of its 27 member states, is that vast swathes of the IRA are earmarked for companies making stuff in America (or its immediate neighbours, Canada and Mexico). Electric cars assembled in North America, for example, will qualify for a tax break worth up to \$7,500; those even part-made in Europe will get nothing. This breaches free-trading principles that are supposed to bind all members of the World Trade Organisation (WTO). https://www.economist.com/europe/2022/12/01/americas-green-subsidies-are-causing-headaches-in-europe |
| 2. | China-USA trade war | On October 7th President Joe Biden’s administration announced the most sweeping set of export controls in decades. The new rules cut off people and firms in China from many advanced technologies of American origin, and from products made using these. The list includes chips used for artificial intelligence (ai), software to design advanced chips and the machine tools to manufacture them. https://www.economist.com/business/2022/10/13/america-curbs-chinese-access-to-advanced-computing |
| 3. | Free trade in Africa – free trade deals | African leaders signed an ambitious, continent-wide free-trade agreement in Kigali on March 21st. Although all 55 members of the African Union (AU) had been involved in negotiations around the grandly named Continental Free Trade Area (CFTA), not all were ready to sign as one. On the day, 44 put pen to paper. Among the holdouts was Nigeria, Africa’s largest economy. https://www.economist.com/middle-east-and-africa/2018/03/22/fifty-four-african-countries-sign-a-free-trade-deal |
| 4. | Trade sanctions | Since February America, Europe and their allies have unleashed an unprecedented barrage of prohibitions covering thousands of Russian firms and individuals. Russian firms are barred from buying inputs from engines to chips. https://www.economist.com/leaders/2022/08/25/are-sanctions-working |
| 5. | End of free trade - Brexit | After Britain formally left the bloc in January 2020 with a bare-bones trade deal, optimists clung to the hope that some of its poor performance was due to covid-19, and so would fade. Perhaps the disruption associated with new trade barriers would be short-lived, as traders got used to new arrangements. It is still too soon to assess Brexit’s long-run effects. But the evidence so far shows that it has hurt. https://www.economist.com/britain/2023/01/03/the-impact-of-brex-it-in-charts |
| INTERNATIONAL FACTOR MOVEMENT | | |
| 6. | FDI – Who wins? | Shawnea Rosser earned upwards of \$29 an hour when she worked for General Motors in Dayton, Ohio. But in 2008 the factory closed. Years later the building was bought by Fuyao Group, a Chinese multinational company that makes glass. The new American managers promised that the “historic” project would “give people jobs, and give a future to your kids and my kids”. Sounds great. But Ms Rosser’s new job paid just \$12.84. https://www.economist.com/finance-and-economics/2019/08/22/who-wins-from-foreign-investment |
| 7. | Global capital flow | Since the global financial crisis, flows of capital across borders have risen unabated. In 2020 the stock of cross-border financial assets reached \$130trn, an increase of almost 60% since 2007. Measured relative to world GDP, at 153%, they now exceed the peak just before Lehman Brothers collapsed. https://www.economist.com/leaders/2022/01/13/the-worry-about-cross-border-capital-flows |
| 8. | Redirecting FDI | Supply chains are the fibres out of which the past decades’ globalisation is woven. Time and again they have allowed intrepid outward-looking manufacturers to undercut their stay-at- |

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| | | <p>home competitors. Over the past five years the tensions pulling at this fabric have been growing stronger. First came America's tariffs on Chinese exports. Then the covid-19 pandemic boosted demand for a particular constellation of goods while constraining their production and transport. Most recently Russia's war in Ukraine sent commodity prices soaring and reminded firms how quickly a political shock can close one market and wreak havoc in others.</p> <p>https://www.economist.com/briefing/2022/06/16/the-structure-of-the-worlds-supply-chains-is-changing</p> |
| 9. | Offshoring and capital movement | <p>SWITZERLAND, which developed cross-border wealth-management in the 1920s, was once in a league of its own as a tax haven. Since the 1980s, however, tax-dodgers have been spoilt for choice: they can hide assets anywhere from the Bahamas to Hong Kong. The percentage of global wealth held offshore has increased dramatically. But it has been hard to say how much that is, and who owns it.</p> <p>https://www.economist.com/finance-and-economics/2017/10/07/a-new-study-details-the-wealth-hidden-in-tax-havens</p> |
| 10. | EU migration trends | <p>Without migration, the European population would have shrunk by half a million in 2019, given that 4.2 million children were born and 4.7 million people died in the EU. In 2020, according to provisional data, EU population shrunk by about 300 thousand people (from 447.3 million on 1 January 2020 to 447.0 million on 1 January 2021), due to a combination of less births, more deaths and less net migration.</p> <p>https://ec.europa.eu/info/strategy/priorities-2019-2024/promoting-our-european-way-life/statistics-migration-europe_en#developmentsin20192018</p> |
| 11. | Effects of migration | <p>Migration spreads ideas. Often, good ones. Sometimes as simple as warm cassava buns stuffed with cheese.</p> <p>https://www.economist.com/special-report/2019/11/14/how-migration-makes-the-world-brainier https://www.economist.com/special-report/2019/11/14/to-make-the-world-richer-let-people-move</p> |
| 12. | Remittances | <p>FIVE YEARS ago the UN proclaimed June 16th the International Day of Family Remittances. Since then money sent home by migrant workers has only become more important. In 2019 remittances amounted to \$554bn, beating all other forms of cross-border financial flows to poor countries (see chart).</p> <p>https://www.economist.com/finance-and-economics/2020/06/15/covid-19-has-squeezed-migrants-remittances-to-their-families https://www.economist.com/middle-east-and-africa/2020/04/16/covid-stops-many-migrants-sending-money-home</p> |
| EXCHANGE RATES | | |
| 13. | Currency crisis | <p>In Turkey, the abnormal is the new normal. If official figures are to be believed, annual inflation now exceeds 73%. If Turkish consumers are to be believed, it is much higher. Measured against the dollar, the lira resembles a black-diamond ski slope. The currency has lost a fifth of its value against the greenback since the start of the year. The obvious solution would be a dramatic increase in interest rates. But the country's president, Recep Tayyip Erdogan, refuses to allow the central bank to tighten monetary policy..</p> <p>https://www.economist.com/finance-and-economics/2022/06/30/the-latest-desperate-attempt-to-prop-up-the-turkish-lira</p> |
| 14. | Why are fixed exchange rates good? | <p>[Argentina] had appeared to be on a collision course with holders of \$65bn-worth of foreign-law bonds. That is about 40% of the government's foreign debt and equivalent to 16% of this year's gdp. The economy minister, Martín Guzmán, initially demanded big cuts in interest payments and a delay until 2023 in resuming them. Argentina, now on its ninth debt default, looked set for yet another legal battle with creditors, which would have weakened the peso, quickened inflation and prolonged its exile from international credit markets.</p> <p>https://www.economist.com/the-americas/2020/08/05/argentina-reaches-a-deal-with-its-foreign-creditors</p> |
| 15. | The problem with a strong dollar | <p>Here are a few familiar descriptions of the dollar: "the cleanest shirt in the laundry basket", "the least-ugly mug in a beauty contest", "the one-eyed man in the kingdom of the blind". Nobody, it seems, loves the dollar; they just really dislike the alternatives.</p> <p>https://www.economist.com/finance-and-economics/2022/09/08/why-the-dollar-is-strong-and-why-that-is-a-problem</p> |
| 16. | Weak vs. strong currency | <p>Weak currencies boost exports. But they also increase inflation and the burden of foreign-denominated debt</p> <p>https://www.economist.com/finance-and-economics/2018/06/21/why-countries-like-argentina-and-turkey-fret-about-exchange-rates</p> |

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| 17. | Shifting among exchange rate regimes | <p>In the “Three-Body Problem”, a popular Chinese science-fiction novel, the planet Trisolaris lurches between climatic stability and chaos as it follows an unpredictable orbit around the three suns in its star system. The solution, the inhabitants conclude, is to invade the Earth, so as to enjoy its smooth single-sun orbit. China’s central bank has been making a similar monetary voyage, in reverse.</p> <p>https://www.economist.com/finance-and-economics/2020/06/11/the-yuan-has-been-one-of-the-worlds-most-stable-major-currencies</p> |
| 18. | The pros and cons of the Euro | <p>"When we have the euro, I can be sure that the currency will not devalue, then I could really speak with banks and plan my business. And in general business will feel more stable in Latvia."</p> <p>http://www.bbc.co.uk/news/business-25332243</p> |