

Course title: Intermediate International Economics		Neptune code of course: GTGKG2033MNA Institute of Economic Theory and Methodology
Course coordinator		Course type: module
Syllabus:		Zoltan Bartha, Phd https://gemi.uni-miskolc.hu/zolibartha
Recommended semester: 4 Spring		https://gemi.uni-miskolc.hu/IIE
Time of classes:		Precondition: -
Place of classes:		Monday 12:00-15:30
Number of lessons/week: 2+2		Building A1/313
Credit value: 5		Acknowledgement of course completion: signature, written exam
Issued:		Training format: full-time
1 February 2025		
Aim and content of the course: The purpose of the course is to introduce students to the topic of open economies, with special regard to the impact of global labour, capital, and currency markets on 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: Knowledge: <i>Students have mastered the concepts, theories, processes, and characteristics of economics, they are aware of fundamental facts on the economy. Students understand the international and institutional environment of organisations.</i>		
Skills: <i>Students develop an individual perspective based on their analysis and can make an argument for it in an open debate.</i> <i>Students acquire relevant knowledge and are prepared to actively participate in social and public debates. They can recognize and understand social problems and new phenomena.</i>		
Attitudes: <i>Students are open and receptive to new results of economics.</i>		
Autonomy and responsibility: <i>Students can defend their professional opinions independently in well-known decision situations and take responsibility for the possible environmental and social impacts of their decisions in new, complex decision-making situations.</i>		
Schedule of the semester & thematic description of course content:		
	Lecture:	Seminar:
10 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
17 Feb	Restricting international trade. Protectionism and tariff analysis.	Exercises concerning tariff analysis
24 Feb	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
3 Mar	Open economies and the exchange rate	Exchange rate regimes and the current account
10 Mar	Interest rate parity. Money markets and exchange rates.	Exercises concerning the interrelation between exchange rates and the interest rate, money supply

17 Mar	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
24 Mar	Long term equilibrium of the exchange rate – market of goods and money market combined	Summary
31 Mar	Midterm exam	
7 Apr	Student presentations – Topics 1-5	Student presentations – Topics 6-10
14 Apr	Student presentations – Topics 11-15	Student presentations – Topics 16-20
Extraordinary circumstances amendment The information provided in the syllabus was prepared with face-to-face 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 20-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: <ul style="list-style-type: none"> - Topic registration opens in the e-learning system: 17 February, 8:00am - Finalising the two team members & agreeing on the topic of presentation: 10 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: 30 March 23:59 (The maximum points that can be obtained for the presentation (12) is decreased by one with every day that you are late with) <ul style="list-style-type: none"> - Presentation date: last 3 classes; see the schedule of the semester (page 1-2) 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: 29 April Points for class participation: <ul style="list-style-type: none"> - 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 Individual study plan You still must fulfil the signature requirements if you apply for an individual study: you have to pick a topic and present it according to the schedule. In this case, your class participation points are converted into presentation points (so you can get a maximum of 15 points instead of 12). 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

Details of the student presentation

Task: Students should form groups of two, and prepare & deliver a PPT presentation, in which they 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
INTERNATIONAL TRADE		
1	Subsidies and industrial policy	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	Trump tariffs	Speaking to reporters in the Oval Office as he signed a bevy of executive orders, he said that he was minded to slap levies of 25% on both Canada and Mexico. “I think we’ll do it on February 1st,” he said. As for China, the target of his first-term trade war, he warned that he might impose hefty tariffs if its government blocks a sale of TikTok, a Chinese video app facing a ban in America. And for good measure he reiterated a campaign pledge to slap tariffs of 100% on members of the BRICS group of countries, which includes Brazil, Russia, China and India. https://www.economist.com/why-has-donald-trump-held-fire-on-tariffs
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	Sanctions have become a central tool of foreign policy. Governments increasingly see them as a way to try to change other states’ behaviour in situations where diplomacy alone is insufficient, but military intervention is seen as too risky or heavy-handed. As the use of sanctions has grown, so has their variety. What was once a smattering of trade embargoes has become a global mesh of coercive tools, some covering countries or whole economic sectors, others single firms or individuals. https://www.economist.com/finance-and-economics/2021/04/22/sanctions-are-now-a-central-tool-of-governments-foreign-policy
5	Era of deglobalisation?	Since 1945 the world economy has run according to a system of rules and norms underwritten by America. This brought about unprecedented economic integration that boosted growth, lifted hundreds of millions of people out of poverty and helped the West prevail over Soviet Russia in the cold war. Today the system is in peril. Countries are racing to subsidise green industry, lure manufacturing away from friend and foe alike and restrict the flow of goods and capital. Mutual benefit is out and national gain is in. An era of zero-sum thinking has begun. https://www.economist.com/leaders/2023/01/12/the-destructive-new-logic-that-threatens-globalisation
6	Trade disruptions	In 2024 the Houthis took aim at almost 200 vessels, damaging more than 40, and attacks have continued into 2025. With Iranian weapons and Russian intelligence, the Yemeni rebels partly control what enters Bab al-Mandab, at the mouth of the Red Sea, and thus the Suez Canal through which 12% of world trade normally flows. Not since the second world war have merchant ships faced such peril. https://www.economist.com/interactive/international/2025/01/18/inside-the-houthis-moneymaking-machine
INTERNATIONAL FACTOR MOVEMENT		

7	FDI – Who wins?	<p>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.</p> <p>https://www.economist.com/finance-and-economics/2019/08/22/who-wins-from-foreign-investment</p>
8	FDI or trade	<p>Chinese investments have been pouring into Mexico lately. The government of Nuevo León, a northern state bordering the United States, announced that China’s Lingong Machinery Group, which makes diggers and other construction equipment, would build a factory that it estimates will generate \$5bn dollars in investment. The same day Trina Solar, a solar-panel manufacturer, said it would invest up to \$1bn in the state.</p> <p>Chinese battery-maker CATL last year decided to build a €7.3 billion battery plant in the eastern city of Debrecen. Other Chinese companies in the electric vehicle supply chain — Nio, Eve Energy, Huayou Cobalt, BYD and Ningbo Zhenyu Technology — have all announced new factory projects over the last months.</p> <p>https://www.economist.com/business/2023/11/23/why-chinese-companies-are-flocking-to-mexico https://www.politico.eu/article/hungary-pm-viktor-oran-china-ties-ev-clean-car-investments-tensions-eu/</p>
9	Redirecting FDI	<p>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-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>
10	TNCs and politics	<p>In recent years a number of Chinese firms faced allegations related national security risks. What can such firms do to keep their global operations? The most notable examples for different strategies: TikTok, Shein, Huawei.</p> <p>https://www.bbc.com/news/technology-65019279 https://www.economist.com/business/2024/11/19/how-chinese-is-shein</p>
11	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>
12	(Positive) 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>
13	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>
14	Illegal migration & social tensions	<p>The UK government wants to send some asylum seekers to Rwanda.</p> <p>https://www.bbc.com/news/explainers-61782866</p>
EXCHANGE RATES		
15	Currency crisis	<p>On August 14th, 2023 Russia’s rouble slipped past the value of 100 to the American dollar, meaning it was worth less than a solitary cent—and was the cheapest it had been since the immediate aftermath of the invasion of Ukraine. The currency is one of the world’s worst</p>

		<p>performers this year, outdone only by perennially troublesome peers like the Argentine peso, Venezuelan bolivar and Turkish lira.</p> <p>https://www.economist.com/finance-and-economics/2023/08/14/russia-will-struggle-to-cope-with-a-sinking-rouble</p>
16	Dollarisation	<p>One of his proposed radical economic measures is ending the use of the peso, the Argentinian currency, and replacing it with the US dollar in what's known as dollarisation.</p> <p>https://www.trtworld.com/magazine/milei-walks-back-on-dollarisation-its-unlikely-to-work-anyway-16027636</p>
17	Economic performance and exchange rate	<p>In most countries, a 95% drop in the currency would be a firing offence for a central-bank governor. Not in Lebanon, which by late 2021 was two years into a grinding financial crisis. The lira, long pegged at 1,500 to the dollar, had plummeted to 27,500. Najib Mikati, the prime minister, was asked if it was time to replace the longtime head of the Banque du Liban. His answer was clear: "one does not change one's officers during a war".</p> <p>https://www.economist.com/middle-east-and-africa/2023/07/31/the-worlds-worst-central-banker-retires</p>
18	Manipulated exchange rate & price spikes	<p>Of the \$2.2bn in airlines' blocked funds across the world, the wedge stuck in Nigeria, almost \$800m, is the biggest. The central bank must decide how to parcel out scarce cash. Every fortnight or so it promises airlines a morsel of all the dollars their accumulated revenues in naira should equate to, at an exchange rate almost 50% less advantageous than its official one.</p> <p>Recently, a social media post went viral about how Lagos to London costs \$1,636 (1.3m) and Cotonou to London costs \$469 (N380,000) on the same date and airline.</p> <p>https://www.economist.com/middle-east-and-africa/2023/05/18/foreign-airlines-in-nigeria-are-frustrated-by-the-blocking-of-their-funds</p> <p>https://dailytrust.com/intl-travels-airfares-hit-rooftop-in-nigeria-as-ghanaians-beninese-others-pay-less/</p>
19	Depreciating vs. appreciating 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>
20	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>