

Syllabus

compulsory course for part time MBA and MA students

Name of subject:	International economics
NEPTUN code:	GTGKG203MLA
Nr. of classes/semester:	12+9
Credits:	5
Teaching staff:	Zoltán Bartha, PhD, zolib@hu.inter.net, A/4 419
Department:	Institute of Economic Theory
Semester:	Spring
Course objective:	The purpose of the course is to introduce students to the topic of open economies, with special regards to the effect of global capital and currency markets on the national economies.
Assessment:	PPT presentation and final test

Course structure	
3 March 9:00-17:40 A1/225	The hot topics of international economics, and study materials of the course Methods of analysis in international economics, the economics approach International specialisation International flow of factors (capital and labour) Open economies and the exchange rate Exchange rate regimes and the current account
24 March 9:00-17:40 A1/225	Interest rate parity Money markets and exchange rates The law of one price, and the purchasing power parity condition Real exchange rate – short term equilibrium
14 April 9:00-11:30 A1/225	PPT presentation

Required reading
Paul R. Krugman – Maurice Obstfeld: International economics – Theory and policy. Pearson 2003, Chapters 3, 7, 8, 13, 14, 15, 16 and 17. Lecture notes: http://gtk.uni-miskolc.hu/gei/intecon

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, February 7, 2018

Details of the student presentation

Task: A 10-15-minute PPT presentation, in which students elaborate on

- the background story of the case,
- special topics and concepts relevant for international economics
- the international economics context relevant to the case

Preferably students form groups of two, and the presentation is ended with a confrontation of views (one of the presenters arguing for, the other one arguing against the case)

Deadline for setting a topic: Preferably during the first class (3 March), but 15 March at the latest

Deadline for sending the ppt presentation to zolib@hu.inter.net: 23 March

Presentation: During the last two class, 24 March & 14 April

The grade at the end of the semester is awarded the following way:

- Points awarded for the PPT presentation: max. 10
- Final test: max. 24
- Grade: 34-30 excellent; 29-25 good; 24-20 satisfactory; 19-16 pass

Topic		Issue
International trade		
1	Brexit and trade	The European Union (EU) is the UK's largest trade partner. Around a half of the UK's trade is with the EU. EU membership reduces trade costs between the UK and the EU. This makes goods and services cheaper for UK consumers and allows UK businesses to export more. http://cep.lse.ac.uk/pubs/download/brexit02.pdf
2.	EU-USA trade deal	After three years, 14 rounds and "hundreds of meetings, hours spent on the phone and many TTIP proposals exchanged, discussed and exchanged again", as EU chief negotiator Ignacio Garcia Bercero put it during a press conference on Friday (15 July) - there is still nothing that both parts agree on, and not even one text which lists the EU-US positions side by side. https://euobserver.com/economic/134385
3.	Future of NAFTA	For months President Donald Trump has veered between threatening to terminate the North American Free-Trade Agreement (NAFTA) and merely proposing to bring it "up to date". On July 17th, in a letter to Congress, the United States trade representative, Robert Lighthizer, made the administration's intentions clearer. They are closer to revision than destruction, which is a relief for Mexico and Canada, the United States' NAFTA partners. https://www.economist.com/news/americas/21725345-canada-and-mexico-face-tricky-renegotiation-their-trade-deal-united-states
International factor movement		
4	Capital movement	Annual net foreign direct investment flows have been on generally decreasing trend since Hungary's accession to the EU ten years ago. http://ec.europa.eu/economy_finance/publications/occasional_paper/2015/pdf/ocp220_en.pdf (page 24)
5	Capital movement	We've now seen three island nations around Europe become huge international banking hubs relative to their GDPs, then get into crisis because their domestic economies don't have the resources to bail out those metastasized banking systems if something goes wrong. All of which raises the question, is the era of free capital movement just a bubble, fated to end one of these years, maybe soon? http://krugman.blogs.nytimes.com/2013/03/18/the-%D1%8Fussians-are-coming-the-%D1%8Fussians-are-coming/?_php=true&_type=blogs&_r=0
6	Capital movement	Switzerland is still the world leader in wealth management, looking after \$2.1 trillion in assets. But the attacks from Washington, DC, and, more recently, European capitals have sent its money men reeling. In 2009 UBS paid America \$780m to end a tax-evasion investigation http://www.economist.com/news/special-report/21571555-offshore-industrys-centre-gravity-shifting-eastwards-rise-midshores
7	Migration	TWO recent reviews of issues that worried voters the most in 2015 in America and Britain, from Gallup and Ipsos/MORI respectively, noted a marked rise in concerns about immigration. A topic that has trundled along for years in both countries gained traction with the ascent of populist candidates in the Republican presidential race in America and the UK Independence Party in Britain. http://www.economist.com/blogs/graphicdetail/2016/01/public-opinion-and-immigration

8	Migration	Immigration to Europe should be largely halted, Hungarian Prime Minister Viktor Orban said late on Sunday, demanding a robust EU response to last week's killings in France. http://www.reuters.com/article/2015/01/12/us-hungary-orban-immigration-idUSKBN0KL0L320150112
Exchange rates		
9	Exchange rates	Those who believe that competitive exchange rates boost economic growth should be pleased. But not every country is willing to let its currency freely adjust. The IMF's annual review of currency regimes, published this month, revealed that at the beginning of 2015 only 35% of member countries let their currencies float, and only 16% intervened rarely enough for the IMF to classify them as "free floating". The rest, from Hong Kong's iron-clad peg to the dollar to the stumbling Nigerian naira, are managed with a tighter grip. https://www.economist.com/news/finance-and-economics/21674775-currency-pegs-are-still-fashion-some-are-creaking-pegs-under-pressure
10	Exchange rates	CHINESE officials tired of defending their exchange-rate policy can at least appreciate the irony in the latest charges levelled against them. For years foreigners accused them of keeping the yuan artificially weak to boost exports. Now, domestic critics say, they are doing just the opposite: keeping the currency artificially strong https://www.economist.com/news/finance-and-economics/21644205-devaluing-yuan-would-do-china-more-harm-good-currency-peace
11	Exchange rate regimes	Since the start of 2017 it has risen by almost 15% against the dollar, to \$1.19 (see chart). That has taken it much closer to fair value by benchmarks such as purchasing-power parity (PPP), the exchange rate at which a basket of goods is worth the same in different countries. The OECD puts the euro's PPP at \$1.33. That is quite a stretch from \$1.04 in January. https://www.economist.com/news/finance-and-economics/21728629-euros-strength-and-dollars-weakness-have-had-benign-effects-exchange-rate
12	Exchange rate	On January 15th, when the Swiss National Bank (SNB) suddenly announced that it would no longer hold the Swiss franc at a fixed exchange rate with the euro, there was panic. http://www.economist.com/blogs/economist-explains/2015/01/economist-explains-13
13	Exchange rate regimes	"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." http://www.bbc.co.uk/news/business-25332243
14	Exchange rates and interest rates	Overnight Russia has raised the central bank interest rate in order to try to protect the ruble. The currency had, at one point yesterday, lost 13% of its value against the dollar. http://www.forbes.com/sites/timworstall/2014/12/16/russia-raises-interest-rates-to-17-to-defend-ruble-might-work-might-not/