

ATHENS UNIVERSITY OF ECONOMICS AND BUSINESS

MSc in International Shipping, Finance and Management

INTERNATIONAL ECONOMICS

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EDUCATIONAL AIM

The course aims to provide a good understanding of the principles of international trade and international monetary relations. Theoretical, practical and empirical aspects are presented and examined.

EDUCATIONAL OBJECTIVES AND LEARNING OUTCOMES

- Introduce students to the nature and role of international trade and international monetary relations in today's integrated world economy.
- Familiarize students with concepts and ideas of international economics.
- Examine recent developments in the theory and practices of international trade and international monetary relations.

The course will make it possible for participants:

- To acquire a clear understanding of issues such as: Comparative advantage; Conduct of trade policy via policy instruments such as import tariffs and export subsidies; formation of Customs Unions, Common Markets and Economic Unions; Recording and measuring the international economic activity of a country; The role of foreign exchange markets in international economic activity; Fixed and flexible exchange rate regimes; Conduct of fiscal and monetary policies under the alternative exchange rate regimes.
- To be able to seek positions in the private, public or international organization, and to research units analyzing and studying bilateral and multilateral economic relations among countries.

THEMATIC AREAS

- **Thematic area 1**
Introduction: The World Economy at a glance
- **Thematic area 2**
Comparative Advantage and the Gains from International Trade
- **Thematic area 3**
International Trade Policy: Import Tariffs and Export Subsidies
- **Thematic area 4**
National and International Accounts: Income, Wealth, Balance of Payments
- **Thematic area 5**
Interest Rates and the Determination of the Exchange Rates
- **Thematic area 6**
International Macroeconomic Policies

DESCRIPTION OF THEMATIC AREAS

- ***Introduction: The World Economy at a Glance***

Presentation of the basic flows of international trade in goods and services between major countries and trading blocs. Major importers and exporters in world trade. The structure of trade across types of goods (i.e. manufacturing, agricultural, etc.) and services. Creditor and debtor nations, and international trade in assets.

- ***Comparative Advantage and the Gains from International Trade***

Understand the no-trade (autarky) state of a country and the reasons why countries trade. Distinguish between absolute and comparative advantage. Understand how trade affects prices and wages relative to autarky and why small countries stand to gain more from international trade (relative to autarky) than large countries.

- ***International Trade Policy: Import Tariffs & Export Subsidies***

Understand the implications of trade policy instruments (e.g. import tariffs and export subsidies). Discuss how these instruments can be used strategically by governments.

- ***National and International Accounts: Income, Wealth, Balance of Payments***

Understand differences between GDP (Gross Domestic Product) and Gross National Income (GNI). Explain the meaning of the balance of payments and its constituents (e.g. trade balance, current account balance, income balance, financial account balance, etc.). Relate these concepts to Net Foreign Assets and National Wealth.

- ***Interest Rates and Exchange Rate Determination***

Define, understand and examine basic concepts such as exchange rate, and the operations of foreign exchange markets. Introduce key foreign exchange market mechanisms: arbitrage and expectations. Uncovered Interest parity and exchange rate determination. What explains why exchange rates rise, fall, or stay flat in the long run? The Purchasing Power Parity hypothesis.

- ***International Macroeconomic Policies***

Understand the use of macroeconomic policies (i.e. fiscal and monetary policy) in an open economy under fixed and flexible exchange rates. Explain why perfect capital mobility implies impossibility of national monetary autonomy under fixed exchange rates. Discuss the concepts of internal and external balance and the role of international policy coordination and policy interdependence among major countries.

COURSE ASSIGNMENTS AND EVALUATION

Course evaluation is based on the **final exam** (worth 70% of the final grade), and on a **project** (worth 30% of the final grade).

The **final exam** will be of a multiple-choice format.

The project (between 1200 and 1500 words), involves the examination and presentation of the main international trade or macroeconomic characteristics and patterns of a country. The allocation of countries to students will be decided on the first lecture. The relevant data can be extracted from freely available databases, such as the ones below. One can examine and discuss for such a country, e.g., the evolution of the pattern of its exports and imports, the major categories of exported/imported products, services, etc., the country's main trading partners, other macroeconomic developments, e.g., evolution of real exchange rates, current account balances, GDP growth rates, etc.

The project, **in electronic copy form**, must be emailed, **without exceptions**, by **January 12, 2025** (email: tmoutos@aueb.gr).

Data Sources:

<http://atlas.media.mit.edu/en/>

<http://www.imf.org/external/pubs/ft/weo/2015/02/weodata/index.aspx>

https://www.wto.org/english/res_e/statis_e/its2015_e/its15_appendix_e.htm

https://www.wto.org/english/res_e/statis_e/its2015_e/its15_world_trade_dev_e.htm

https://www.wto.org/english/res_e/statis_e/its2015_e/its15_merch_trade_product_e.htm

https://www.wto.org/english/res_e/booksp_e/trade_profiles15_e.pdf

<https://www.bis.org/statistics/eer.htm?m=6%7C187>

A very easy to use source of data for the EU28 (plus a few other) countries is the Ameco Database of the European Commission

http://ec.europa.eu/economy_finance/ameco/user/serie/SelectSerie.cfm

READING MATERIAL

Course Textbooks:

- *Feenstra, Robert & Alan Taylor, International Economics*, Worth Publishers, 2013.
- *Krugman, Paul, Maurice Obstfeld, & Mark Melitz, International Economics: Theory and Policy*, 9th Edition, Addison-Wesley 2012.

Supplementary Readings:

➤ *Books:*

Bhagwati, J., Protectionism, MIT Press, 1988.

Bhagwati, J., The World Trading System at Risk, MIT Press, 1991.

Krugman, P., Pop-Internationalism, MIT Press, 1995.

➤ *Articles*

G. Adler et al (2020), “Dominant Currencies and External Adjustment”,
<https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2020/07/16/Dominant-Currencies-and-External-Adjustment-48618>

P. Honohan (2020), “Using Purchasing Power Parities to Compare Countries: Strengths and Shortcomings”,
<https://www.piie.com/system/files/documents/pb20-16.pdf>

J. Gagnon (2020), “Taming the US Trade Deficit: A Dollar Policy for Balanced Growth”, <https://www.piie.com/system/files/documents/pb20-15.pdf>

Ghosh and U. Ramakrishnan, (2019), “Current Account Deficits: Is There a Problem? There can be consequences when the amount a country spends abroad is wildly different from what it receives from the outside world”.
<https://www.imf.org/external/pubs/ft/fandd/basics/48-current-account-deficits.htm>

G. Hufbauer and E. Jung (2017), "Buy American" Is Bad for Taxpayers and Worse for Exports”,
<https://www.piie.com/blogs/trade-investment-policy-watch/buy-american-bad-taxpayers-and-worse-exports>

Katsimi, M. and T. Moutos (2010), “EMU and the Greek Crisis”, European Journal of Political Economy.

M. Kose and E. Prasad (2018), “Capital Accounts: Liberalize or Not?”,
<https://www.imf.org/external/pubs/ft/fandd/basics/46-capital-accounts.htm>

Krugman, P. (1997), “What Should Trade Negotiators Negotiate About?”, Journal of Economic Literature.

Rodrik, D. (2000), “How Far Will International Economic Integration Go?”, Journal of Economic Perspectives.

Obstfeld, M. (2011), “The International Monetary System: Living with Asymmetry”, NBER Working Paper No. 17641.

S. Robinson and K. Thierfelder (2019), “Who's Winning the US-China Trade War? It's Not the United States or China”,
<https://www.piie.com/blogs/trade-and-investment-policy-watch/whos-winning-us-china-trade-war-its-not-united-states-or>