

SUBJECT: **Advanced International Economics**

HOURS: 30 (lectures) + 15 (exercises)

YEAR 2013/2014

ECTS: 7

SUMMER SEMESTER
(graduate course)

Name/title of the author:

Course Description:

Learning Outcomes (Goals and Objectives of the course):

Entrance qualifications:

Course Content:

Assessment policy (examination):

Course materials / bibliography:

This graduate level course is composed of two parts. The first one covers the problems related to economics of exchange rate regimes (International Macroeconomics) and the second one presents selected more advanced problems of theory and empirics of contemporary international economics.

The first part is significantly based on a recent coursebook by Peter Montiel, International Macroeconomics. Thus, it reminds the basic concepts of international macroeconomics: balance of payments and its components and introduces a simple model of the open economy. Basing on this model it discusses some examples of adjustment mechanisms under alternative exchange rate regimes: "hard" and "soft" pegs as well as (more in details) floating exchange rate system.

The focus of the second part is on the subjects which are very often omitted during undergraduate international economics course are on problems which require some additional insights, to allow for a deep understanding of today's globalizing world. These problems include selected elements of international trade theory: theoretical explanations of the dominance of transnational companies in certain sectors of world economy, on the grounds of imperfect competition theory; selected issues of purchasing power parity theory, real and effective exchange rates and convergence problems: technical methods of computation and implications for catching-up countries (Balassa-Samuelson effect); public debt dynamics and debt sustainability as well as integration of financial markets.

On the successful completion of this unit, students should have understand a range of theories, models and analytic tools explaining selected crucial phenomena of contemporary international economics

Microeconomics, Macroeconomics, International Economics I

1. Open-economy macroeconomic accounting and macroeconomic factors influencing exchange rate markets.
2. Introduction of a general analytical framework
3. Macroeconomics of "hard" fixed exchange rates
4. Macroeconomics under "soft" pegs and imperfect capital mobility
5. Floating exchange rates: transitory vs. permanent shocks
6. Exchange rate dynamics under floating exchange rate regime
7. International monopolistic competition and firms' strategies
8. Purchasing Power Parity (PPP): computing and international statistics
9. PPP Implications: Balassa-Samuelson effect in theory and empirics
10. Effective exchange rates („can we have DEER with BEER without FEER”: Domestic, Behavioural and Fundamental Effective Exchange Rate)
11. Fiscal sustainability and debt dynamics
12. Financial market integration in Europe during the financial and sovereign debt crisis

1. Participation grade + written assignment (exercises)
2. Written exam (lecture).

N.B. The final grade is a weighted average of the 1 and 2.

1. P. Montiel, *International Macroeconomics*, Wiley-Blackwell, 2009.

2. Krugman P., Obstfeld M., *International economics*, ch. 7: Economies of Scale, Imperfect Competition and International Trade,

3. Feenstra, C.R., *Advanced International Trade*, Princeton University Press, 2004

4. Eurostat, OECD, *Methodological manual on purchasing power parities*, Paris 2006.

5. Solanes J. G., Flores F. T., *The Balassa-Samuelson Hypothesis in Developed Countries and Emerging Market Economies: Different Outcomes Explained*, The Open-Access, Open-Assessment E-Journal, Vol. 3, 2009-2.

<http://www.economics-ejournal.org/economics/journalarticles/2009-2>

6. Egert B., Assessing equilibrium real exchange rates in accession countries. Can we have DEER with BEER without FEER?, *mimeo*.
7. W. Buiter, 2010, Sovereign Debt Problems in Advanced Industrial Countries,
<http://www.instituteofideas.com/documents/Buiter%20on%20Sovereign%20Debt.pdf>

Other articles and materials indicated during the course

Methods of Instruction:

Lectures, power-point presentations, analysis of the literature, in-class debates, solving exercises and cases.

Notes / suggestions: