



## BUSINESS SCHOOL

### Course Outline 2019 ECON241: INTERNATIONAL ECONOMICS (15 POINTS) Semester 1 (1193)

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#### Course prescription

An introduction to major issues in international trade and finance as well as the conceptual frameworks for understanding these issues.

Topics include: theories of international trade, multinational corporations and FDI, global production networks and supply chains, international financial markets and capital mobility, exchange rate regimes, macroeconomic stabilization policies in the open-economy setting.

#### Course advice

Prerequisite: ECON 101 or ECON 191, and ECON 111.

This course is one of the prerequisites for ECON342 and ECON343.

For students majoring in economics, this course is elective at stage 2; for students majoring in other subjects, or with a specialisation in International Economics, this course helps gain entry into ECON 341 and ECON 352.

#### Goals of the course

This course serves as a stand-alone course for those interested in understanding the issues in international finance and trade. It helps gain entry to theoretical and applied courses in each field at higher levels of study.

By the end of the part "international trade", students should understand

1. the principle of comparative advantage and the conditions under which trade may benefit all countries involved;
2. how cross-country differences in technology and endowment determine the world trade pattern and why similar countries also trade with each other;
3. how trade affects the rewards to productive factors and how supply-chain trade affects the global income distribution;
4. how the interactions between trade globalization and technology progress have reshaped the world production landscape, with a special focus on New Zealand's trade interests and Asia-Pacific economy.

By the end of the part "international finance", students should understand

5. the history of international monetary system and the structure of world FX markets;
6. the balance of payments accounting and the valuation effect;
7. the exchange rate determination in the short run and in the long run;
8. the policies that governments may use to address internal and external imbalances.

## Learning outcomes (LO)

#	Learning outcome	Graduate profile capability
LO1	Identify core assumptions and derive key results of economic models; use models to make informed predictions	2. Critical thinking
LO2	Explain the patterns of trade and investment with the principle of comparative advantage	4a. Communication (Oral)
LO3	Identify the impacts of trade flows on economic well-being, growth, and income distribution	6a. Social responsibilities
LO4	Review recent developments and future challenges in the world trading system; explain their impacts on individual countries and on the global economy	4a. Communication (Oral)
LO5	Explore major factors and mechanisms that determine the foreign exchange rates	1. Disciplinary knowledge and practice
LO6	Evaluate the effectiveness of monetary and fiscal policies in addressing internal and external imbalances under alternative forex regimes	2. Critical thinking
LO7	Review recent developments and future challenges in the world monetary and financial system; explain their impacts on individual countries and on the global economy	4a. Communication (Oral)

\* See your graduate profile at the end of this course outline.

## Content outline

Module	Week	Topic	Relevant learning resources/activities	Assessment due this week/module
<u>Introduction</u>	<b>1</b>	<b>Globalization: Retreat or Reset?</b>	US-China Trade War	
<u>Part I: International Trade</u>	<b>2</b>	<b>Why Nations Trade</b> The Ricardian Model: Technology & Trade The Heckscher-Ohlin Model: Endowment & Trade	Absolute vs. Comparative Advantage Trade Patterns of New Zealand vs. Singapore	

	<b>3</b>	<b>Who Gains and Who Loses from Trade?</b> <b>Tutorial 1</b>	Silicon Valley vs. Rust Belt US Manufacturing Job Losses since the 1980s Global Inequality and the Elephant Curve	Problem set 1
	<b>4</b>	<b>North-North Intra-Industry Trade</b> The Krugman-Melitz Model	Cost Structure of Smartphone Automobile Trade in NAFTA and USMCA	
	<b>5</b>	<b>North-South Intra-Industry Trade</b> Production Networks & Supply Chains	Offshoring vs. Automation Globalization: Past, Present, Future	Problem set 2
	<b>6</b>	<b>Tutorial 2</b> <b>Mid-Term Test</b>		
<u>Part II: International Finance</u>	<b>7</b>	<b>National Accounts and Balance of Payments</b>	Is the US trade deficit a trade issue? Can New Zealand run current account deficits forever?	
	<b>8</b>	<b>Exchange Rate Determination in the Short Run</b> An Asset Approach	Carry Trade of Japanese Yen and Aussie Dollar (Un)covered Interest Rate Parity	
	<b>9</b>	<b>Exchange Rate Determination in the Long Run</b> A Monetary Approach	The Plaza Accord in 1985 Does China manipulate its currency as Donald Trump claims?	
	<b>10</b>	<b>Open Macroeconomy in the Short Run</b> The IS-LM-FE model <b>Tutorial 3</b>	The J-Curve and Abenomics: Monetary Easing, Exchange Rate, and Exports	Problem set 3
	<b>11</b>	<b>Macroeconomic Stabilization Policies in the Open Economy</b> Impossible Trinity	Negative Interest Rates in Switzerland Bypass Capital Controls via Bitcoin: China and South Korea	
	<b>12</b>	<b>Group Presentation</b> <b>Tutorial 4</b>		Problem set 4

## Learning and teaching

Lectures are held twice per week. The class recording are available on Canvas.

- Tuesdays 12:00-14:00 206-220
- Thursdays 12:00-14:00 MLT2/303-102

Lectures form a core component of this course. Students must ensure that they are able to attend lectures during these times. Students should pay close attention to the class schedule and read the materials prior to class. Students are welcome to share new ideas during class and are encouraged to read about current events in the world economy throughout the semester.

There are four tutorial sessions held during lectures over the course of the semester. The tutorial involves problem solving in class, which offers some practice for tests and exams. The class activity may involve group-discussions, group-activities or debates aimed at applying concepts learnt in class to real world problems.

## Teaching staff

Email: haiping.zhang@auckland.ac.nz Telephone: 09 923 1152  
Office Hours: Thursdays, 14:15 – 16:15 Location: SOGGB Room 260-657

## Learning resources

Course materials are available on Canvas.

### Recommended Textbooks

- Feenstra and Taylor, "*International Economics*", 4th edition, Worth Publishers, 2017.
- Krugman, Obstfeld, and Melitz, "*International Economics: Theory and Policy*", 11th edition, Pearson, 2018.
- Thomas Pugel, 2016, "*International Economics*", 16th edition, McGraw-Hill

The textbooks will be available at the bookstore. A copy will be available on short loan in the General Library. Previous editions of the books may be used. Check Canvas prior to class for course announcements, lecture slides, and supplementary reading materials.

### Some Useful Links

- A glossary of terms in international economics is available at Alan Deardorff's website <http://www-personal.umich.edu/~alandear/glossary/>
- WTO, OECD, World Bank, UNCTAD, The Economist, the Wall Street Journal

## Assessment information

Assessment task	Weight %	Group / individual	Submission
One Group Project	20 %	Group	Week 11
Mid-Term Test (Closed Book)	30 %	Individual	11 April
Final Exam (Closed Book)	50 %	Individual	TBA

## Pass requirements

Students must get at least 50% of total mark to pass the course. *Plussage does NOT apply.*

## Description of assessment tasks

Assessment task	Learning outcome to be assessed
In the group project, students are expected to use economic models and intuitions to address the recent patterns in the global economy as well as discuss international economic policies. Besides submitting the thesis, students also present their research findings in week 12.	LO1, LO2, LO3, LO4, LO5, LO6, LO7
In the mid-term test, student are expected to analyse the patterns of international trade and investment with economic models, to show solid problem-solving skills, and to explain the findings intuitively.	LO1, LO2, LO3, LO4
In the final exam, student are expected to analyse the exchange rate determination and macroeconomic stabilization policies in the open economy, to show solid problem-solving skills, and to explain the findings intuitively.	LO1, LO5, LO6, LO7

## Inclusive learning

Students are urged to discuss privately any impairment-related requirements face-to-face and/or in written form with the courses convenor/lecturer and/or tutor.

## Academic integrity

The University of Auckland will not tolerate cheating, or assisting others to cheat, and views cheating in coursework as a serious academic offence. The work that a student submits for grading must be the student's own work, reflecting his or her learning. Where work from other sources is used, it must be properly acknowledged and referenced. This requirement also applies to sources on the worldwide web. A student's assessed work may be reviewed against electronic source material using computerised detection to provide an electronic version of their work for computerised review.

## Student feedback

Student feedback is highly encouraged in this course. During the semester, students may directly submit their feedback to the lecturer, or they may wish to submit feedback through the class representative.

## In the event of an unexpected disruption

We undertake to maintain the continuity and standard of teaching and learning in all your courses throughout the year. If there are unexpected disruptions, the University has contingency plans to ensure that access to your course continues and your assessment is fair, and not compromised. Some adjustments may need to be made in emergencies, In the event of a disruption, the University and your course coordinators will make every effort to provide you with up to date information via Canvas and the University website.

## Bachelor of Commerce Graduate Profile

The following six themes represent the capabilities that the Business School seeks to foster in all of its graduates. The development of these capabilities does not come all at once, but rather is expected to build from year to year. Each course is not expected to contribute to all capabilities, but each course will have its own goals and learning outcomes that relate to the overall development of this profile.

Graduate Profile for
<p><b>1. Disciplinary knowledge and practice</b> Graduates will be able to demonstrate and apply a breadth of knowledge across disciplines, as well as specialist knowledge within one or more of them, while recognising the relevancy of this knowledge in a global context.</p>
<p><b>2. Critical thinking</b> Graduates will be able to analyse and critique theory and practice to develop well-reasoned arguments.</p>
<p><b>3. Solution seeking</b> Graduates will be able to identify and frame problems using analytical skills to create and evaluate innovative solutions.</p>
<p><b>4. Communication and engagement</b> Graduates will be able to collaborate and communicate effectively in diverse contexts using multiple formats.</p>
<p><b>5. Independence and integrity</b> Graduates will be able to respond professionally and ethically, demonstrating a capacity for independent thought and learning.</p>
<p><b>6. Social and environmental responsibility</b> Graduates will recognise the significance of the principles underpinning the Treaty of Waitangi and explain their obligations in relation to sustainability, whilst displaying constructive approaches to diversity.</p>

Note that if you are enrolled in a conjoint degree, you should also engage with the Graduate Profile for your other degree programme.