International Trade

Academic Year: (2019 / 2020) **Review date: 25-05-2020**

Department assigned to the subject: Economics Department

Coordinating teacher: FUSTER PEREZ, MARIA LUISA

Type: Compulsory ECTS Credits : 6.0

Year : 5 Semester : 1

REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

Microeconomics, Mathematics for Economics II, Microeconomic Theory

OBJECTIVES

The goal of this class is to learn the theory of international trade and apply it to real problems of the world economy.

As for the learning goals, by the end of the course students should be able to:
- Understand the classical models of international trade (Ricardo and Heckscher-Ohlin) as well as the models of monopolistic competion.
- Analyze the gains from trade and their redistributive effects.
- Understand the relation between international trade, migration, and capital flows.
- Understand the concepts of trade deficit and trade surplus, and understand its relation to investment and savings.
- Analyze the effects of trade policy (tariffs and quotas) in partial equilibrium and general equilibrium.
- Understand the advantages and disadvantages of regionalism and multilateralism.

In terms of specific skills, by the end of the course students should be able to:
- Solve trade models graphically and analytically.
- Determine prices, trade volumes, and welfare effects of trade liberalization.
- Calculate costs and benefits of trade liberalization and protectionism for different groups.
- Calculate the costs and benefits of liberalizing migration.

In terms of competences, the course focuses on:
- The capacity to solve complex problems graphically and analytically.
- The capacity to relate economic theory to real the real problems of the global economy.

In terms of attitude, the course expects students to
- Develop a critical, open and informed opinion in the debate on the effects of globalization.
- Develop a scientific approach in the challenging task of analyzing complex real world problems.

DESCRIPTION OF CONTENTS: PROGRAMME

The course focuses on the theory of international trade. The most important topics covered are:
- Patterns of trade and specialization (from the classical models --- Ricardo and Heckscher-Ohlin --- to the more recent models of monopolistic competition)
- Gains from trade
- Effects of international trade on income distribution
- Economic geography and regional specialization
- Trade policies
- WTO and trade agreements

Along the way, several important real world problems will be discussed, such as the effects of offshoring on wages, the relation between trade and migration, the tension between multilateralism and regionalism, and the effect of trade liberalization on income inequality.

LEARNING ACTIVITIES AND METHODOLOGY

The course consists of theoretical lectures and sessions of problem solving. Students are expected to solve and hand in problem sets. Problem solving is essential to acquiring the knowledge and skills required by this course.

ASSESSMENT SYSTEM

The final grade consists of problem sets and class participation (15%), one midterm (30%) and one final exam (55%)
Minimum grade of final exam of 4 out of 10 in order to pass the continuous evaluation.

% end-of-term-examination:	60
% of continuous assessment (assigments, laboratory, practicals…):	40

BASIC BIBLIOGRAPHY

- KRUGMAN, PAUL R., OBSTFELD, M. AND MELITZ, MARC J. INTERNATIONAL ECONOMICS: THEORY AND POLICY, PEARSON, 2011
- Krugman, P., M. Obstfeld and M.Melitz International Economics, 10th edition, Pearson Education., 2015