

AD200 International Economics and the Digital Era

ECTS credits: 5

Course Overview

This is a course about the causes and consequences of economic globalisation. It explores how tumbling transport and communication costs, digitalisation, and trade and financial liberalisation have driven the integration of international economies in recent decades, contributing to increased global prosperity, new market opportunities and the diffusion of ideas, but also to greater inequality and new political and social challenges. The course provides an overview of the two main sub-categories of the subject, namely international trade and international finance, and seeks to assess the impact that digitalisation and Internet connectivity is having on economic globalisation.

- We will first study the forces underpinning international trade in goods and services, the costs and benefits of free trade, the trade policy options facing governments, and the role of international organisations in trade governance.
- We will then move on to study the forces driving cross-border financial flows and the determination of exchange rates. We will briefly address the history and organisation of the international monetary system, the different forms of exchange rate management, and the causes and consequences of the different international financial crises that periodically beset economies.
- Finally, the course will seek to explore how the rise of the digital economy, and the cross-border flow of data, is shaping globalization

Related courses

Students should have a knowledge of foundational economic concepts. Full-time students of the undergraduate degree programme should have successfully completed the courses in Microeconomics (AD006) and Macroeconomics (AD012) before registering for this course.

Course Objectives

A key course objective is to enlighten students about the workings of the international economy and its financial underpinnings. It aims to provide students with sufficient knowledge of the topic not only to make better business and investment decisions, but to understand and participate more fully in some of the key debates about international economic integration and policymaking, international relations and global financial stability

The course will introduce students to the main theories of international economics and finance, but will seek at all times to relate these theories to real-world developments. It will also seek to identify how the expansion of digitalization, and the global expansion of broadband internet access, might be affecting globalization.

Learning Outcomes

On the completion of this course students should have gained the following competences:

- To understand the main forces driving international trade and financial flows
- To assess the costs and benefits of these flows
- To understand the determination of exchange rates.
- To understand how government policies affect trade, capital flows and exchange rates.
- To understand the factors that periodically trigger international financial crises
- To develop a basic knowledge of the roles of international organisations in both trade and financial governance
- To identify how the rise of new digital technologies is shaping globalisation
- To undertake basic country and political risk analysis and be able to participate in international policy debates

Course structure and calendar

Topic 1 (Sep 17 & 19)

Introduction and overview

Topic 2 (Sep 26 & Oct 01 & 03)

Ricardian Model: comparative advantage and the benefits of free trade.

Topic 3 (Oct 08 & 10)

Income Distribution. Trade's winners and losers.

Factor price equalisation – global wage and interest rate convergence

Topic 4 (Oct 15 & 17)

The topics of standard trade analysis - terms of trade, export- and import-biased growth, international transfers of income, import tariffs and export subsidies. International borrowing and lending as intertemporal trade

Topic 5 (Oct 22 & 24).

Economies of Scale: another reason why trade enriches. Clusters and infant industry promotion: an argument for trade protection.

Topic 6 (Oct 29 & 31)

The impact of digitalisation on trade in goods and services. Internet governance issues, digital protectionism

MIDTERM EXAM (Week of November 5)

Topic 7 (Nov 12 & 14)

The Balance of Payments: global imbalances and global aggregate demand

Topic 8 (Nov 19 & 21)

Exchange Rates in the Short Run: the interest parity condition and the role of monetary policy

Topic 9 (Nov 26 & 28)

Exchange Rates in the Long Run: purchasing power parity (PPP) and the real exchange rate

Topic 10 (Dec 03 & 05).

Fixed Exchange Rates and Foreign Exchange Intervention - balance of payments crises.

The international Monetary System: the Gold Standard, the Bretton Woods system and the International Monetary Fund (IMF), the European Monetary System (EMS) and the Euro. Optimum Currency Areas and the case for floating exchange rates

Topic 11 (Dec 10 & 12)

Financial Globalisation: the role of digital technologies

Project presentations

Topic 12 (Dec 17 & 19)

Project presentations

Topic 13 (Jan 07 & 09)

Review before final exam

FINAL EXAM (in period Jan 14 -February 2)

Course evaluation

Participation	15%
Mid-term	30%
Course projects	25%
Final examination	30%

Retake policy: students who fail the course (weighted average grade <5) can sit a retake exam which retests all the material covered in the course. The students' course grade will then be the weighted average of the retake grade (60%) and the student's original grade for the course project, attendance and participation (40%).

Methodology

The course will follow broadly the structure set out in the textbook ***International Economics: Theory and Policy***, by Paul Krugman and Maurice Obstfeld, but without going into the same level of detail. It will provide an overview of the main theories in the field, but maintaining a strong focus on trying to understand the functioning of the global trade and financial system.

I will distribute lecture notes and regularly post reading material on the e-study. Most of the readings will consist of newspaper or magazine articles, from sources such as the Financial Times or the Economist, which can shed light on the main international trade and financial issues in an accessible, user-friendly language. Students will be required to read and subsequently discuss these articles in class, familiarizing themselves with the main sources, language and current topics in international economics. Students will also participate in a group presentation on an international economics issue during the course.

Readings

Textbooks

For a survey of the main theories of international economics, the main textbook of reference is:

- Krugman, Paul and Obstfeld, Maurice, *INTERNATIONAL ECONOMICS: THEORY AND POLICY*. Pearson International Edition.

A good backup text for international finance topics is

- Pilbeam, Keith, *INTERNATIONAL FINANCE*. Palgrave Macmillan

An overview of the basic principles of international economics is also available in the relevant chapters of:

- Mankiw, N. Gregory and Taylor, Mark P., *ECONOMICS*, Cengage Learning EMEA.

Other sources:

<http://www.project-syndicate.org>

<http://krugman.blogs.nytimes.com/>

<https://pie.com/blogs/realtime-economic-issues-watch>

www.voxeu.org

www.wto.org

www.oecd.org

www.imf.org

<http://ec.europa.eu/eurostat>

<http://www.bis.org/>

<https://ourworldindata.org/>

Some suggested background reading:

Wolf, Martin (2004) *Why Globalization Works*. Yale University Press

Wolf, Martin (2009) *Fixing Global Finance: How to Curb Financial Crises in the 21st Century*. Yale University Press

Reinhart, Carmen M. and Rogoff, Kenneth S. (2009) *This Time is Different: Eight Centuries of Financial Folly*. Princeton University Press

Acemoglu, D., & Robinson, J. A. (2012). *Why nations fail: The origins of power, prosperity, and poverty*. New York, NY: Crown.

Krugman, Paul (1998) *The Accidental Theorist*. W.W. Norton & Company

Stiglitz, Joseph E. (2002) *Globalization and its Discontents* W.W. Norton & Company

Keynes, John Maynard (1932) *Essays in Persuasion*

Clark, Gregory (2007) *A Farewell to Alms: A Brief Economic History of the World*. Princeton University Press.

Bernstein, William J. (2008) *A Splendid Exchange: How Trade Shaped the World*. Grove Press.

Eichengreen, Barry (1992) *Golden Fetters: The Gold Standard and the Great Depression 1919-1936*. Oxford University Press

Brynjolfsson, Erik and McAfee, Andrew (2014) *The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies*. W. W. Norton & Company

Digital Globalization: The New Era of Global Flows. McKinsey Global Institute (MGI), 2014.

Recommended Social Media

<https://twitter.com/MaxCRoser>

<https://twitter.com/martinwolf>

<https://twitter.com/MESandbu>

https://twitter.com/B_Eichengreen

<https://twitter.com/OECDObserver>

<https://twitter.com/gavyndavies>

<https://twitter.com/ProSyn>

<https://twitter.com/wef>

<https://twitter.com/Noahpinion>

About the professor

Professor: Brian McGarry

E-mail: bmcgarry@salle.url.edu

ABOUT THE PROFESSOR:

Brian McGarry, MSc, is economics lecturer and area coordinator in the undergraduate business programme at La Salle - Ramon LLull University. He began teaching at La Salle in 2005 and previously worked in consulting and with the Economist Intelligence Unit (EIU) in London. He continues to write regularly for the EIU on Spanish economic and political affairs, and has also written on the automotive industry, the healthcare sector and the public administration in Spain, as well as collaborating with the OECD Observer magazine and other international media. Brian holds a bachelor's degree in Mathematical Sciences and French from Trinity College Dublin and a master's degree in Economics from the Universitat Pompeu Fabra.