EC 330 – INTERNATIONAL ECONOMICS
IES Abroad Milan

DESCRIPTION:
This course introduces students to the principles of international economics, exploring the key forces that shape global trade, economic growth, and financial markets. Businesses and policymakers must interpret macroeconomic signals to make informed decisions in a world marked by economic uncertainty, globalization, and technological change. Students will begin with fundamental macroeconomic concepts—including GDP, inflation, and economic growth—and examine key models such as the Solow Growth Model and the Cobb-Douglas production function to analyze long-term economic performance. The course also provides a comprehensive framework for analyzing globalization, trade theories, and global value chains. It familiarizes students with trade policy, exchange rate theory, and institutional and legal barriers to trade, including protectionism, trade agreements, and the role of international organizations.

Through group presentations and interactive discussions, students will apply economic theories to real-world scenarios and current policy issues. Topics include foreign direct investment (FDI), industrial policy, and exchange rate systems, with cases on sustainable development, supply chain disruptions, and the impact of fiscal and monetary policies on international markets. While the course incorporates economic models and quantitative reasoning, it primarily adopts a qualitative approach, bridging theory and practice to develop students' economic intuition. By the end of the course, students will have a strong foundation in international economic theory and policy, equipping them with the tools to understand and navigate the complexities of the global economy.

CREDITS: 3

CONTACT HOURS: 45

LANGUAGE OF INSTRUCTION: English

ADDITIONAL COST: None

METHOD OF PRESENTATION:
- Lectures,
- Cases and examples,
- In-class exercises,
- Student presentations

REQUIRED WORK AND FORM OF ASSESSMENT:
- Class engagement - 10%
- Midterm exam - 30%
- Final exam - 30%
- Group projects - 30%

Class engagement
Students are expected to read the assigned readings of the session in advance and be prepared able to discuss their contents in class. Active participation in class discussions and thoughtful engagement will the questions of the instructor and comments of peers will be expected.

Midterm Exam
The midterm exam will be a written test consisting of two parts: 1) eight multiple-choice questions, each with four options; 2) three short-answer essay questions requiring concise and well-structured responses.

Final Exam
The final exam will be a written test consisting of two parts: 1) eight multiple-choice questions, each with four options; 2) three short-answer essay questions requiring concise and well-structured responses.

Group projects
Over the course of the semester, students will work on two group projects. For each project, groups will produce a short essay (max 1,800 words) and deliver an in-class presentation. Topics will be assigned at the beginning of the course and will address real-world economic debates, recent policy developments, and global economic trends that complement the lecture materials and assigned readings.
Each student is expected to actively participate in both projects. These assignments are designed to deepen their understanding of complex economic issues, practice applying theoretical concepts to contemporary scenarios, and to strengthen skills in collaboration and professional communication.
Presentations will be evaluated on both content and delivery. Assessment criteria will include:

- Quality of research and analytical depth
- Clarity and coherence of the argument
- Use of relevant data, case studies, or real-world examples
- Connection to course concepts and themes

Delivery will be assessed based on organization and structure, clarity and effectiveness of communication, engagement with the audience, use of visual/media aids (where appropriate), team collaboration and coordination. Peer evaluation will be a component of the final grade for each presentation, offering students the chance to reflect on group dynamics and individual contributions.

LEARNING OUTCOMES:
By the end of the course, students will be able to:

- Evaluate the key drivers of economic growth and assess their influence on the evolution of international economic prospects
- Interpret and critically assess the characteristics of the current global economic environment using appropriate macroeconomic indicators
- Identify and explain the implications economic policies, trade dynamics, and global economic challenges on international markets and governance structures
- Analyze the impact of macroeconomic trends and policy decisions on businesses, industries, and national economies, using real-world data and case studies
- Compare and contrast the economic trajectories of different countries, drawing evidence-based conclusions about their strengths, vulnerabilities, and development prospects
- Collaborate effectively in a team setting to research, synthesize, and present case studies that connect course concepts to contemporary international economic issues
- Design and deliver clear, well-organized, and engaging presentations that communicate complex economic ideas effectively to academic and professional audiences

ATTENDANCE POLICY:
Students are expected to be responsible for their class attendance and to give academic responsibilities priority over other activities. Regular class attendance is mandatory. For physical and mental health reasons, IES Abroad Milano allows a maximum of THREE (3) absences in each Italian language course, TWO (2) absences in each Area Studies course, and ONE (1) absence in each Seminar course. Every absence beyond this allowance will automatically result in a penalty of 2 percentage points off the final grade. SEVEN (7) absences will result in a failing grade in Italian language and Area Studies courses. FOUR (4) absences will result in a failing grade in Seminar courses. Failure to attend a scheduled exam, test, quiz, or presentation will automatically result in an F grade on that assessment.

COURSE MATERIALS:
The course material consists of lecture notes (**slide sets**) and **readings** available online. This approach ensures that the content remains relevant and aligned with the dynamic nature of contemporary economic issues. This structure allows students to engage with cutting-edge information and gain insights into the most recent trends and challenges in economics.

CONTENT:

Week	Content	Readings
Week 1	**Session 1: Macroeconomics and its main variables** • What is macroeconomics? • The Gross Domestic Product (GDP) and the Gross National Income (GNI) • Price levels and inflation • GDP variations in time • Real and Nominal Variables	• Callen, Tim, "Gross Domestic Product: An Economy's All," *Finance & Development Magazine*, International Monetary Fund (2 pages) • Gourinchas, Pierre-Olivier, "As Inflation Recedes, Global Economy Needs Policy Triple Pivot" (summary of the most recent IMF World Economic Outlook) (10 pages)
	Session 2: Economic growth • The importance of economic growth • The criticism of the GDP as a key macroeconomic indicator • The Production Function and its factor inputs: capital, labor, and Total Factor Productivity (TFP)	• Pilling, David. "5 ways GDP gets it totally wrong as a measure of our success," World Economic Forum (8 pages)
Week 2	**Session 3: Capital Accumulation and Economic Growth** • The Cobb-Douglas production function • The Solow Growth Model • The steady-state • The golden rule for the optimal level of investment	• Zymek, Robert. "Total Factor Productivity," *Finance & Development Magazine*, International Monetary Fund (2 pages)
	Session 4: TFP and Long-term economic growth • Labor market conditions: labor force participation, employment and hours worked • The determinants of the Total Factor Productivity (TFP) • The Worldwide Governance Indicators	• World Bank, What Explains Productivity Growth, *Global Productivity*, Chapter 2, pp. 39-56 (17 pages)
Week 3	**Session 5: Understanding convergence** • Convergence among countries • The middle-income trap • Conditional convergence	• World Bank, "Making a Miracle," World Development Report (30 pages)
	Session 6: Globalization • Definition and phases of globalization • Trade in goods and services Capital flows and Foreign Direct Investment **Group presentation 1: Progress towards the Sustainable Development Goals (focus on goals 8, 9 and 12)**	• Baldwin, Richard, "Globalisation 1.0 and 2.0 helped the G7. Globalisation 3.0 helped India and China instead. What will Globalisation 4.0 do?" *VOX* (7 pages) • The Sustainable Development Goals Report 2024, United Nations, pp. 2-3, 24-27, 32-33 (6 pages)

Week 4	**Session 7: International trade** • From the absolute to the comparative advantage • The terms of trade • The Heckscher-Ohlin model • Intra-industry trade and the Grubel-Lloyd index	• Evenett, Simon. "The Principle of Comparative Advantage 200 years on," *VOX* (3 pages) • "An inconvenient iota of truth," *The Economist* (3 pages)
	Session 8: The geography of value chains • Definition of Value Chain • Measuring trade in value-added • Backward and forward participation in GVC • The weakness of GVCs: the case of PPE during COVID-19 **Group presentation 2: Richard Baldwin's telemigration**	• "The new face of trade," World Development Report 2020 (19 pages) • Wannaphong Durongkaveroj, "The Globotics Upheaval: Globalization, Robotics and the Future of Work by Richard Baldwin," *London School of Economics Review of Books Blog* (4 pages)
Week 5	**Session 9: The welfare effects of protectionism** • Tariff as the primary tool of trade policy • Welfare analysis of free trade, closed economy, and protectionism • The trade effects: creation, suppression, and diversion	• Anshu Siripurapu and Noah Berman, "What Are Tariffs?" Council on Foreign Relations (10 pages)
	Session 10: Trade agreements • Free trade areas and Customs unions • Trade deflection and the rules of origin • The case of *maquiladoras* in Mexico **Group presentation 3: The value chain of the electric battery**	• "Rules of Origin," US Congressional Research Service (20 pages) • Romain Capliez, Carl Grekou, Emmanuel Hache & Valérie Mignon, "Lithium-Ion Batteries: Dynamic Mapping of the Value Chain and Perspectives" (14 pages)
Week 6	**Session 11: The effects of trade** • The factor price equalization theorem • The Stolper-Samuelson theorem • The 'elephant curve' (C. Lakner and B. Milanovic) • The Lorenz curve and the Gini coefficient	• "World Inequality Report (Executive summary)," World Inequality Database (12 pages) • Branko Milanovic, "Global income inequality: time to revise the elephant," Social Europe and IPS-Journal (3 pages) • World Trade Organization. "Why have some developing economies gained little from globalization?", World Trade Report 2024, chapter B3, pp. 40-54 (14 pages)
	Session 12: Midterm Exam	
Week 7	**Session 13: The rules of international trade** • The principles of the World Trade Organization (WTO) • Trade defense measures (*e.g.*, anti-dumping or anti-subsidy duties). • The dispute settlement mechanism **Group presentation 4: Friend-shoring and its consequences**	• "Anti-Dumping, Subsidies, Safeguards," World Trade Organization (3 pages) • Raghuram G. Rajan, "Just Say No to "Friend-Shoring," Project Syndicate (3 pages)
	Session 14: Foreign Direct Investment (FDI) • Drivers of FDI (*e.g.*, the role of clusters) • Impacts of FDI in the host country	• "Shifting investment patterns: 5 key FDI trends and their impact on development," UN trade & development (9 pages)

	• The Curse of Natural Resources (*e.g.*, the Dutch disease) • The state of commodity dependence • OECD FDI restrictiveness index	
Week 8	**Session 15: FDI challenges** • The Investor-State Dispute Settlement (ISDS) • The rationale for FDI screening: antitrust • The rationale for FDI screening: national security **Group presentation 5: National security and the case of US steel and aluminum tariffs**	• Lorenzo Bencivelli et al. "The rise of foreign investment screening in advanced economies," *VOX* (7 pages) • "Section 232 Investigations: Overview and Issues for Congress," US Congressional Research Service, pp 46-53 (7 pages) • Theodore H. Moran, CFIUS and National Security: Challenges for the United States, Opportunities for the European Union, Peterson Institute for International Economics, pp. 1-5 (4 pages)
	Session 16: Industrial policy • Definition of Industrial policy • Strategic Trade with an example: Boeing vs. Airbus • Challenges arising from industrial policy	• Chris Wellisz, "Tomorrow's Electricity," *Finance and Development Magazine*, International Monetary Fund (1 page) • "Industrial Policies: Handle with Care," International Monetary Fund, pp 1-11 (10 pages)
Week 9	**Session 17: Monetary policy** • The role of Central Banks • The time-inconsistency problem • The policy instruments • The Central Bank Digital Currencies (CBDCs) **Group presentation 6: The Committee on Foreign Investment in the US (CFIUS)**	• CoreEcon,"Monetary policy and inflation targeting", unit 5.9 (9 pages) • Sandra Waliczek, "What are central bank digital currencies and what could they mean for the average person?" World Economic Forum (10 pages)
	Session 18: Fiscal policy and Sovereign Debt • The role of fiscal policy • The economic cycle and the structural balance • Deficit and debt • Debt Sustainability and the Snowball Effect • Debt relief	• "Debt Relief Under the Heavily Indebted Poor Countries Initiative," International Monetary Fund (5 pages) • Dalia Hakura, "What is Debt Sustainability," Finance & Development Magazine, International Monetary Fund (2 pages)
Week 10	**Session 19: Exchange rates** • Nominal and real exchange rates • The law of one price and the Purchasing Power Parity • The Big Mac Index • The Balassa–Samuelson effect **Group presentation 7: The pros and cons of competitive devaluation**	• "Our Big Mac index shows how burger prices differ across borders," *The Economist* (4 pages) • "Why Africa's poor pay high prices," *The Economist* (4 pages)
	Session 20: Exchange Rate Determination • Nominal Exchange Rates and Asset Markets • The Uncovered Interest Parity (UIP) • Exchange rates and the UIP • Floating and fixed exchange rates • The UIP and the Impossible Trinity	• CoreEcon, "Fixed and flexible exchange rate regimes in practice around the world", unit 7.6 (7 pages) • CoreEcon, "Global financial markets and policy interest rates", unit 7.8 (7 pages)

		• Mark Stone, Harald Anderson, and Romain Veyrune, "Exchange rate regimes: fix or float," *Finance & Development Magazine*, International Monetary Fund (2 pages)
Week 11	**Session 21: The balance of payments** • The Balance of Payments and its components • The current account, capital account, and financial account • The International Investment Position (IIP) **Group presentation 8: Is a Trade Deficit harmful to an Economy?**	• Balance of Payments and International Investment Position Manual, International Monetary Fund, Chapter 2, pp 7-14 (7 pages) • Andreas Freytag and Phil Levy, "The Trade Balance and Winning at Trade" (21 pages)
	Session 22: Sovereign credit rating • Guest lecture: a representative from a leading credit rating agency will deliver a guest lecture on the role of sovereign credit ratings, with a focus on the current macroeconomic outlook for Italy and Europe.	• US Securities and Exchange Commission (SEC), " The ABCs of Credit Ratings" (6 pages)
Week 12	**Final exam**	

REQUIRED READINGS

- Agenor, Pierre-Richard, "Caught in the Middle? The Economics of Middle-Income Traps". FERDI, 2016.
- Baldwin, Richard, "Globalisation 1.0 and 2.0 Helped the G7. Globalisation 3.0 Helped India and China Instead. What Will Globalisation 4.0 Do?". CEPR, 2019.
- Baquie, Sandra, Yueling Huang, Florence Jaumotte, Jaden Kim, Rafael Machado Parente, and Samuel Pienknagura, "Industrial Policies: Handle with Care". IMF, Staff Discussion Notes No. 2025/002, 2025, 1-11.
- Bencivelli, Laura, Giorgio Di Giorgio, and Annalisa Ferrando, "The Rise of Foreign Investment Screening in Advanced Economies". CEPR, 2023.
- Callen, Tim, "Gross Domestic Product: An Economy's All". IMF, 2024.
- Capliez, Romain, Carl Grekou, Emmanuel Hache and Valérie Mignon, "Lithium-Ion Batteries: Dynamic Mapping of the Value Chain and Perspectives". CEPII Policy Brief 48, 2025.
- Chatzky, Andrew, James McBride, and Noah Berman, "What Are Tariffs?" Council on Foreign Relations, 2024.
- CoreEcon,"Monetary policy and inflation targeting", *The Economy 2.0*, Macroeconomics, unit 5.9, 2024
- CoreEcon, "Fixed and flexible exchange rate regimes in practice around the world", *The Economy 2.0*, Macroeconomics, unit 7.6, 2024.
- CoreEcon, "Global financial markets and policy interest rates", *The Economy 2.0*, Macroeconomics, unit 7.8, 2024
- Durongkaveroj, Wannaphong , "The Globotics Upheaval: Globalization, Robotics and the Future of Work by Richard Baldwin". LSE Blog, 2020.
- Evenett, Simon J., "The Principle of Comparative Advantage 200 Years On". CEPR, 2017.
- Fefer, Rachel F., Keigh E. Hammond, Vivian C. Jones, Brandon J. Murrill, Michaela D. Platzer, and Brock r. Williams, "Section 232 Investigations: Overview and Issues for Congress". 2021, 46-53.
- Freytag, Andreas and Phil Levy, "The Trade Balance and Winning at Trade". Cato Institute, 2024.
- Hakura, Dalia, "What is Debt Sustainability?". IMF, 2020.
- IMF, "Chapter 2" in *Balance of Payments and International Investment Position Manual*, 2009, 7–14.
- IMF "Definitions of Exchange Rate Arrangement Categories". 2009, 11-14.

- IMF, "Debt Relief Under the Heavily Indebted Poor Countries Initiative". 2023
- IMF, "Executive Summary Of The World Economic Outlook. 2025
- Milanovic, Branko. "Global Income Inequality: Time to Revise the Elephant." Social Europe, 2022.
- Moran, Theodore H., "CFIUS and National Security: Challenges for the United States, Opportunities for the European Union". PIIE, 2017, 1-5.
- Pilling, David, "5 Ways GDP Gets It Totally Wrong as a Measure of Our Success." World Economic Forum, 2018.
- Rajan, Raghuram G., "Just Say No to "Friend-Shoring". Project Syndicate, 2022.
- Stone, Mark, Harald Anderson, and Romain Veyrune, "Exchange rate regimes: fix or float". IMF, 2008.
- The Economist, "An inconvenient iota of truth". 2016.
- The Economist, "Why Africa's poor pay high prices". 2018.
- The Economist, "Our Big Mac Index Shows How Burger Prices Differ Across Borders". 2024.
- United Nations, "The Sustainable Development Goals Report 2024". 2-3, 24-27, 32-33.
- UNCTAD, "Shifting Investment Patterns: 5 Key FDI Trends and Their Impact on Development". 2024.
- US Securities and Exchange Commission (SEC), " The ABCs of Credit Ratings". 2017.
- Waliczek, Sylwia, "What Are Central Bank Digital Currencies and What Could They Mean for the Average Person?". World Economic Forum, 2023.
- Wellisz, Christopher, "Tomorrow's Electricity". IMF, 2024.Wong, Liana, "Rules of Origin". Congressional Research Service, 2021.
- World Bank, The new face of trade in *World Development Report 2020: Trading for Development in the Age of Global Value Chains*. 2020.
- World Bank, "What Explains Productivity Growth?" in *Global Productivity: Trends, Drivers, and Policies*. 2021, 39–56.
- World Bank, Overview in *World Development Report 2024: the middle-income trap*. 2024.
- World Inequality Lab, " Executive Summary" in *World Inequality Report 2022*. 2022.
- WTO, "Anti-Dumping, Subsidies, Safeguards", 2001.
- WTO. "Why have some developing economies gained little from globalization?", World Trade Report 2024, chapter B3, pp. 40-54 (14 pages)
- Zymek, Robert, "Total Factor Productivity." IMF, 2024.