

## TECHNICAL DETAILS

Course details	
Name	International Macroeconomics
Code	00006882
Degree	Business Administration (E-2, E-2 Bilingual, E-3, E-4, E-6 and double degrees Analytics)
Year	3rd year / 4th year (E3)
Term	1st term / 2nd term
Credits ECTS	6
Type	Compulsory
Departament	Economics
Area	Economic Theory
Coordinator	Dr. Elisa Aracil
Description	<p>Why is a country economically related to others? What factors determine that relationship? How can we quantify the economic exchanges with third countries? What is a Balance of Payments? What factors determine the evolution of Balance of payments? What types of exchange exist? How does it work and what operations can be executed in the foreign exchange market? What is the difference between a fixed or flexible exchange rate? What system of exchange rate are preferable, the fixed ones or the flexible ones?</p> <p>This subject will expose the bases so that the student is able to respond to all these questions through the analysis of the main characteristics of an open economy with its implications for economic policies.</p>

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## SPECIFIC DATA OF THE COURSE

<b>Course Context</b>	
<b>Course Description</b>	
<p>International Macroeconomics forms, together with Microeconomics and Macroeconomics, a group of subjects that make up the Fundamentals of Economics. All of them allow the student to acquire the necessary skills to be able to analyze higher courses, with the appropriate rigor, including the always necessary critical vision required in the economic and business field associated with applied economics.</p> <p>This subject continues the analysis developed in Macroeconomics and introduces the student to an open economy in the current international a context.</p> <p>In addition, this subject provides students with fundamental knowledge for their professional activity in a company given the growing influence of the macroeconomic environment on the income statement and the trend towards internationalization.</p>	
<b>Required tools</b>	
<p>Besides an introductory course in Microeconomics, a Macroeconomics course background is required. In addition, basic knowledge of descriptive Statistics and analytical tools are needed.</p>	

## TOPICS

<b>Contents – Topics</b>
<b>1. BASIC CONCEPTS IN INTERNATIONAL MACROECONOMICS</b>
<b>Chapter 1: Economic Indicators Dashboard</b>
<ul style="list-style-type: none"><li>1.1. Main variables for a macroeconomic analysis</li><li>1.2 The influence of economic indicators in financial markets</li><li>1.2. The internationalization of production</li><li>1.3. A global macroeconomic analysis<ul style="list-style-type: none"><li>1.3.1. Developing vs advanced countries</li><li>1.3.2. International trade flows</li><li>1.3.3. Economic openness analyses</li></ul></li><li>1.4. Case study</li></ul>
<b>Chapter 2: National Accounts and the Balance of Payments</b>
<ul style="list-style-type: none"><li>2.1. The Balance of Payments: Definition and composition.<ul style="list-style-type: none"><li>2.1.1. Sub-accounts and their economic balances</li><li>2.1.2. Net Lending and Net Borrowing positions</li><li>2.1.2. The Balance of Payments equilibrium</li></ul></li><li>2.2. The saving-investment identity in an open economy</li><li>2.3. Case study</li></ul>
<b>Chapter 3: Currency market and the exchange rate.</b>
<ul style="list-style-type: none"><li>3.1. Exchange rates: nominal and real. Economic competitiveness</li><li>3.2. The currency market<ul style="list-style-type: none"><li>3.2.1. Supply, demand and equilibrium in the currency market</li><li>3.2.2. Exchange rate regimes. Advantages and disadvantages<ul style="list-style-type: none"><li>-Fixed exchange rate system. Central Bank interventions. The economic trilemma.</li><li>-Flexible exchange rate system.</li></ul></li></ul></li><li>3.3. Exchange rate determination<ul style="list-style-type: none"><li>-Purchasing Power Parity (PPP) theory</li><li>-Interest rate parity</li></ul></li></ul>
<b>2. MAIN THEORIES AND ECONOMIC POLICIES THAT APPLY IN AN OPEN ECONOMY</b>
<b>Chapter 4: International Trade Theories</b>
<ul style="list-style-type: none"><li>4.1. The absolute advantage theory</li><li>4.2. The comparative advantage theory</li><li>4.3. Resources and trade: the Heckscher-Ohlin model.<ul style="list-style-type: none"><li>-Model definition</li><li>-The Leontief paradox</li></ul></li><li>4.4. The new International trade theories and models (inter-industry trade, imperfect competition models, product differentiation, global value chains...)</li><li>4.5. Protectionism vs globalization. Trade economic policy.</li></ul>
<b>Chapter 5: Growth and development. A global analysis</b>
<ul style="list-style-type: none"><li>5.1. The social challenge<ul style="list-style-type: none"><li>5.1.1. Poverty and income inequality. Milanovic's Elephant.</li><li>5.1.2. Wellbeing indicators and human capital development</li><li>5.1.3. The demographic challenge.</li></ul></li><li>5.2. The environmental challenge<ul style="list-style-type: none"><li>5.2.1. Energy transition, climate change risk and economics</li></ul></li><li>5.3. The institutional challenge<ul style="list-style-type: none"><li>5.3.1. Relationship between governance and macromagnitudes: an international comparison</li><li>5.3.2. Corruption and hidden economy. Estimates and economic consequences.</li></ul></li></ul>

<b>3. INCOME EQUILIBRIUM IN AN OPEN ECONOMY. THE MUNDELL-FLEMING MODEL</b>
<b>Chapter 6: The Goods and Services Market in an open economy</b>
6.1. The different agents in the goods and services market 6.2. The IS curve in an open economy: Derivation, slope and shifts 6.3. Fiscal policy in an open economy: the multiplier effect. Fiscal policy and external deficit. The international coordination in fiscal policy.
<b>Chapter 7: Openness in Money and Financial Assets Market.</b>
7.1. Money markets characteristics 7.2. The LM curve in an open economy: Derivation, slope and shifts 7.3. Monetary policy in an open economy: growth and inflation. Monetary policy tools. 7.4. Case study: a simulation of fiscal and monetary policies.
<b>Chapter 8: Balance of Payments. The BP curve</b>
8.1. Capital mobility 8.2. Balance of Payments variables considered in the model 8.3. The BP curve in an open economy: Derivation, slope and shifts 8.4. The Marshall-Lerner condition and the J-curve.
<b>Chapter 9: The Mundell-Fleming model under a fixed exchange rate regime.</b>
<b>9.1.</b> Perfect capital mobility. 9.1.1. Fiscal policy effectiveness 9.1.2. Monetary policy effectiveness <b>9.2.</b> Imperfect capital mobility. 9.2.1. Fiscal policy effectiveness 9.2.2. Monetary policy effectiveness
<b>Chapter 10: The Mundell-Fleming model under a flexible exchange rate regime.</b>
<b>10.1.</b> Perfect capital mobility. 10.1.1. Fiscal policy effectiveness 10.1.2. Monetary policy effectiveness <b>10.2.</b> Imperfect capital mobility. 10.2.1. Fiscal policy effectiveness 10.2.2. Monetary policy effectiveness

<b>Competences - Objectives</b>
<b>Generic Competences</b>
<b>Instrumental</b>
Analytical and quantitative solving of practical questions. Fluent communication, spoken and written, and submission of assignments and exercises appointed. Ability for searching, identifying and analysing the sources of information relevant to the topics.
<b>Interpersonal</b>
Ability for listening, debating and arguing on the different issues proposed and debated. Ability to critically analyse the different issues. Ability for interdisciplinary group work. To have ethic values and behavior.

<b>Systemic</b>
<p>Commitment with well done work.</p> <p>Ability to learn.</p> <p>Ability to take decisions and formulate economic policies and know their effects.</p>
<b>Specific Competences of the area-subject</b>
<b>Conceptual (to know)</b>
<p>To understand how individual decisions determine the behaviour of demand and supply aggregate variables.</p> <p>To know, from an economic point of view, how macroeconomic variables interact in the short-run in an open economy.</p> <p>To understand the functioning of an open economy: to know the determinants of international flows of goods and services and capitals, understanding the effects on the economies of different countries.</p> <p>To understand the economic differences between a fixed exchange rate regime and a flexible exchange rate regime, understanding the advantages and disadvantages of both regimes.</p>
<b>Procedimental (to know how)</b>
<p>To analyse the effects of demand and supply shocks in open economies.</p> <p>To understand how the level of production and the interest rate of an economy are jointly determined in the short-run in an open economy, taking into account the different degree of adjustment of financial markets, goods market and the foreign sector.</p> <p>To be able to analyse economic reality making use of the economic models.</p>
<b>Behavioural (to know to be)</b>
<p>A critic assessment of the theories studied in light of the empirical evidence.</p> <p>A collaborative approach to achieve from other individuals the information and knowledge needed to carry out complex tasks.</p>

## COURSE STRUCTURE

<b>General Methodological Aspects</b>
<b>In-Person Methodology: Activities</b>
<p>In-person sessions will consist of:</p> <ul style="list-style-type: none"> <li>• Exposition of the main concepts in a clear and structured way.</li> <li>• Exercises and problems solving.</li> <li>• Debates.</li> </ul>
<b>Out of the Class Methodology: Activities</b>
<p>Individual work to be done by students will consist of:</p> <ul style="list-style-type: none"> <li>• The study and use of explained concepts.</li> <li>• Search and compilation of information sources to solve exercises and problems.</li> <li>• Dig deeper in issues to be debated with classmates.</li> </ul>

## COURSE ASSESSMENT

### Assessment Activities: Criteria and Weighting

The assessment of the course will be based on an exam in both the ordinary and the extraordinary call, in addition to exercises, written-essays and other activities to develop in class or at home. The weighting of each of the assessment activities is as follows:

#### 1.- Ordinary call

There is a written exam at the end of the course with a weight of 60% of the final mark. The remaining 40% will be obtained through continuous assessment.

- Final Exam. This exam will cover all the contents of the course. The aim of this final examination is to assess the degree of learning achieved by the student and her abilities to analyze and synthesize the contents of the course. The final exam will consist of two parts: the first part will consist of a set of brief or multiple choice questions with a weight of 40% of the exam mark and the second part will consist of two problems with a weight of 60%.

**It is required to obtain at least 5 out of 10 points in the final exam to pass the course.**

- Continuous Assessment. Throughout the course, the students are required to perform several applied activities: individual assignments, problems and knowledge tests regarding the different issues covered during the course. The individual assignments must be handed out on time. There is a zero tolerance policy with late submissions.

Within this 40% of the final mark, the allocation will be as follows:

-In class test worth 15% of the final mark. This will take place in the designated date communicated by the professors, following chapter 4 of the syllabus.

-Individual assignment worth 10% of the final mark. This will be related to chapter 4, due the same day of the above test.

-The remaining 15% of the final mark will consist in different activities that will be proposed throughout the course.

Therefore, the final mark in the ordinary call will be the result of the continuous assessment mark and the final exam mark-as long as the student obtains the minimum required mark of 5 in the final exam-, calculated as follows:

$$\text{Final Mark} = (0,6 \times \text{Final Exam}) + (0,4 \times \text{Continuous Assessment})$$

The students that retake the subject must do the same final exam as the rest of students, but in this case the final exam mark represents 100% of the final mark, unless the student decided to be subject to continuous assessment. If this is the case, the student must inform the lecturer within the first month of the course.

#### 2.- Extraordinary call

Students should take an extraordinary final exam. The continuous assessment activities will be also taken into account. The final mark will be the most convenient of the following two alternatives:

Option 1. 80% Final extraordinary exam + 20% continuous assessment

Option 2. 60% Final extraordinary exam + 40% continuous assessment

## COURSE READING LIST

<b>Basic Reading</b>	
<b>Textbooks</b>	
<p>The CORE Team (2020). The Economy. Economics for a changing world Oxford</p> <p>Blanchard, O. (2021). Macroeconomics. Pearson</p> <p>Dornbusch, R., Fischer, S. y Startz, R. (2018). Macroeconomics. 13th edition. McGraw Hill Education.</p> <p>Krugman, P., Obstfeld, M. y Melitz, M. (2018) International Economics: Theory and Policy, Global Edition 11th edition. Pearson.</p> <p>Mankiw, N.G. (2019). Macroeconomía. 10th edition. Worth Publishers. Macmillan Learning.</p>	
<b>Complementary Reading</b>	
<b>Textbooks</b>	
<p>Hall, R. E. &amp; Taylor, J. B. (1997). Macroeconomics: Theory, Performance and Policy.</p> <p>Froyen, R. T. (2012). Macroeconomics: Theories and Policies. 10th edition.</p> <p>Burda, M. &amp; Wyplosz, C. (2012). Macroeconomics. A European text. 6th edition.</p>	
<b>Reports</b>	
<p>Reports regarding international economy (Competitiveness Report of the World Economic Forum, World Economic Outlook of the IMF, Education at a glance of OECD, World Trade Report of the ITO).</p> <ul style="list-style-type: none"> <li>• Last “World Economic Outlook” of the International Monetary Fund.</li> <li>• Last “World Development Report” of the World Bank.</li> <li>• Last “OECD Factbook” of the Organisation for Economic Co-operation and Development.</li> </ul>	
<b>Webpages</b>	
Bank of Spain	<a href="http://www.bde.es">www.bde.es</a>
European Central Bank	<a href="http://www.ecb.int">www.ecb.int</a>
World Bank	<a href="http://www.worldbank.org/">http://www.worldbank.org/</a>
United Nations Conference on Trade and Development	<a href="http://www.unctad.org/">http://www.unctad.org/</a>
EUROSTAT (EU Statistics)	<a href="http://epp.eurostat.ec.europa.eu/">http://epp.eurostat.ec.europa.eu/</a>
International Monetary Fund	<a href="http://www.imf.org/">http://www.imf.org/</a>
Instituto Nacional de Estadística (INE)	<a href="http://www.ine.es">www.ine.es</a>
Ministerio de Economía y Competitividad	<a href="http://www.mineco.es">http://www.mineco.es</a>
Ministerio de Industria, Energía y Turismo	<a href="http://www.minetur.gob.es/">http://www.minetur.gob.es/</a>
United Nations	<a href="http://www.un.org/">http://www.un.org/</a>
OECD	<a href="http://www.oecd.org/spain/">http://www.oecd.org/spain/</a>
International Labour Organisation	<a href="http://www.ilo.org/">http://www.ilo.org/</a>
International Trade Organisation	<a href="http://www.wto.org/">http://www.wto.org/</a>
European Union	<a href="http://www.europa.eu.int">www.europa.eu.int</a>