



WINTER2021_OL_21

International Economics

Course leader

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Course description

This course introduces some of the main concepts and methods of international economics and illustrates them with applications drawn from the real world. The first half of the course deals with international trade and policy and looks at issues such as the gains from trade, as well as the development of the European Union's single market and the trade issues raised by Brexit. It also focuses on the potential impact of the Covid-19 pandemic on globalisation and trade. The second half of the course covers international macroeconomics issues. This part of the course starts with an overview of fiscal policy and how governments can stabilise economies and the issue of sovereign debt dynamics. We then focus on monetary policy and the role central banks play in stabilising economies and financial markets. We finish with an overview of the various forms of exchange rate regimes, as well as the theory of optimum currency areas and whether the Euro area fits this criteria.

Course objectives

Upon completion of the module you should be able to:

- Understand some basic trade theory and concepts
- Describe the various stages of European economic integration
- Understand how fiscal and monetary policy can be used to stabilise economies
- Understand sovereign debt dynamics post global financial crisis and post-Covid
- Understand the concept of optimum currency areas and the design flaws in the Euro area

Tackled Concepts

- Trade theory and policy
- Economic integration and globalization
- Fiscal and monetary policy
- Exchange rate regimes
- Optimum currency areas

Learning methods

Lectures, group assignments and an exam

Schedule

8 sessions of lectures/seminars

Assignments

Group Assignments x 2 (40%)

Evaluation

Final exam (60%)

**Courses listed are representative and subject to slight changes. The school reserves the right not to open a course where minimum participation is not reached or due to unforeseen circumstances.*

Sessions

Topic 1: World trade: an overview

- Who trades with whom?
- The changing pattern of world trade

Topic 2: International trade theory and policy

- The concept of comparative advantage
- Different forms of economic integration
- The EU's single market and Brexit

Topic 3: Fiscal policy and AD-AS

- How can we explain short-run fluctuations in economic activity
- What can governments do to stabilise economies?
- Sovereign debt dynamics: post-global financial crisis versus post-Covid

Topic 4: Monetary policy and AD-AS

- What can central banks do to stabilise economies?
- Standard monetary policy tools versus non-standard emergency tools
- Performance of ECB post-global financial crisis and post-Covid

Session 5: Exchange rate regimes

- Various forms of exchange rate regimes: from free float to fixed
- Fixed exchange rates and foreign exchange intervention

Session 6: Optimum Currency Areas

- Optimum Currency Area (OCA) theory
- Is the Euro area an OCA?

Bibliography / Course material

Books

Krugman, P., Obstfeld, M. and M. Melitz (2018) International Economics: Theory and Policy, Pearson, 11th ed.
De Grauwe, P. (2020) Economics of the Monetary Union, Oxford University Press, 13th ed.
