

International Economics

Professor: Clàudia Canals & Carlos Martínez

Office hours: by appointment

Course Type: Compulsory

Credits: 3 ECTS

Term: First Term

1. COURSE PRESENTATION

Course Description

Despite the anti-globalization movement that has come to the fore in recent years, markets are still largely global. Countries in the 21st century are more closely connected than ever before. Thus, it is important to understand the forces and implications of this globalized scenario.

To do so, we will start covering the main theories that seek to explain the observed trade patterns. Concepts like comparative advantage; the relative abundance of factors, or gravity aspects will be developed.

Then, we will talk about the benefits of trade but also the costs. Trade can alter the distribution of income inside a nation and thus, generate winners and losers. Understanding this effect is important when studying International Economics, especially since protectionism is on the rise.

During the second part of the course, we will cover some of the most relevant theoretical underpinnings of the financial side of International Economics. Firstly, we will start by reviewing the very foundations of Money, Interest Rates, and the role played by Central Banks in international financial markets. Secondly, we will focus on the fundamentals of exchange rate determination, both theoretically and empirically. Thirdly, a general overview on the functioning of global capital markets will be given, with particular emphasis on the basics regarding the risk and return properties of international equity

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and fixed-income securities.

Objectives

The objective of this course is to provide the students with concepts and analytical tools that will allow them to understand the forces behind globalization and its economic and financial consequences. But also, at a more micro level, why firms decide to go global and what are the main risks faced by exporters, importers, and investors. This course is related to “Institutions and Markets. Regional Processes of Economic Integration” since Processes of economic Integration are a form of globalization.

This course is included in the subject **Business environment analysis**, which has the following learning outcomes:

The student will be able to recognise the most advanced knowledge and core competences in the organization and management of the activities of a foreign trade department.

RA2. Mat.1.1 Interpret the current and future situation of the international economic, legal, social and political environment.

The student will be able to decide the optimal way for the company to enter international markets by participating in international negotiation processes in the professional context.

RA4. Mat.1.2 Analyze the sector, competition, market, consumer and distribution of each pre-selected country.

RA4. Mat.1.3 Resolve the legal-administrative formalities and procedures required in the internationalization process.

The student will be able to identify business opportunities in foreign markets in order to analyze the viability of business activities at an international level.

RA1. Mat.1.4 Relate historical and current economic, social and political events to knowledge of international economics and law.

The student will be able to use the information technologies available at the time and the most appropriate communication techniques in the academic and professional fields applied to the internationalization of business during the master's degree.

RA6. Mat.1.5 Implement the main sources of information and documentation at international level.

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The student will be able to develop the ability to assess gender and sex inequalities in order to design solutions in the different executions during the master's degree applied to international business management.

RA9. Mat. 1.6 Identify the main features of different cultures and civilisations, including sex and gender inequalities, in order to understand current problems in the world and what causes and consequences they have had or may have on international business management.

The student will be able to recognise the most advanced knowledge and core competences in the organization and management of the activities of a foreign trade department.

RA2. Mat.1.7 Identify the main concepts, institutions and rules related to intergovernmental cooperation and regional economic integration.

Related SDGs

SDG 8: Decent work and economic growth

SDG 9: Industry, innovation and infrastructure

SDG 10: Reduce inequalities

SDG 12: Responsible consumption and production

SDG 13: Climate action

SDG 16: Peace, Justice and strong institutions

2. COURSE LEARNING PLAN

Methodology

Lectures will combine theoretical models, real examples of the trade of goods and services and the flow of money, and class presentations and discussions. Some recent events like the 2008 financial crisis, the 2017-21 Trump administration, the COVID-19 pandemic, climate change, and the Russia-Ukraine war have had and will have a major impact on those flows and, thus, we will pay some attention to those through the different classes.

Class participation is highly encouraged.

The professors will provide lecture slides. Moreover, there is a list of mandatory videos and readings (book chapters as well as other reading materials). All these materials will

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closely follow the different topics for each class.

The competences, the learning outcomes, the assessment elements and the quality of the learning process included in this Teaching Plan will not be affected if during the academic quarter the teaching model has to switch either to an hybrid model (combination of face-to-face and on-line sessions) or to a complete on-line model.

Evaluation criteria

The final grade will be the weighted average of these 3 elements.

Assessment element	Weight
Individual and Group Participation	10
Presentations and Problem Set	40
<i>Group Presentation on Trade</i>	20
<i>Group Presentation on International Finance</i>	20
Final Exam	50

Students need to obtain a **minimum of 4 (out of 10) in the final exam** to pass the course. This condition applies to both the regular exam and the retake exam. The final course grade of students who do not obtain a minimum of 4 in the exam will be the minimum between 4 and the final grade computed from the different evaluation elements (with the weights set above).

Retake conditions

Students who fail the evaluation of the course will have a retake exam opportunity that will be programmed in accordance with the academic calendar. If a student has to retake the exam, **his maximum grade for the course will be a 7 (out of 10)**.

General Issues

Students are required to attend 80% of classes. Failing to do so without justified reason will imply a Zero grade in the participation/attendance evaluation item and may lead to suspension from the program.

Students who fail the course during the regular evaluation are allowed ONE re-take of the evaluation, in the conditions specified above. If the course is again failed after the retake, the student will have to register again for the course the following year.

In case of a justified no-show to an exam, the student must inform the corresponding

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faculty member and the director(s) of the program so that they study the possibility of rescheduling the exam (one possibility being during the “Retake” period). In the meantime, the student will get an “incomplete”, which will be replaced by the actual grade after the final exam is taken. The “incomplete” will not be reflected on the student’s Academic Transcript.

Plagiarism is to use another’s work and to present it as one’s own without acknowledging the sources in the correct way. All essays, reports or projects handed in by a student must be original work completed by the student. By enrolling at ESCI UPF BSM Master of Science and signing the “Honor Code,” students acknowledge that they understand the schools’ policy on plagiarism and certify that all course assignments will be their own work, except where indicated, by correct referencing. Failing to do so may result in automatic expulsion from the program.”

Content and learning activities

Week	Day	Topics	Professor
1	25-Sep-24	Course presentation and overview Intl. Econ. Basic Economic Concepts Globalization trends Gravity Model	C. Canals
2	02-Oct-24	Ricardian Model Resources and Trade	C. Canals
3	09-Oct-24	Economies of scale (and love for variety) Multinationals and GVC Pandemic	C. Canals
4	16-Oct-24	Trade Policy Gains and Costs of Globalization Recap Main concepts	C. Canals
5	23-Oct-24	Group Presentations (topics to be assigned)	C. Canals
6	30-Oct-24	The concept of Money Value time of money and uncertainty	C. Martínez
7	06-Nov-24	Interest rates Inflation Central Banks	C. Martínez
8	13-Nov-24	Foreign Exchange determination: CIP and UIP Empirical evidence behind CIP and UIP The role of risk	C. Martínez
9	20-Nov-24	Fixed-income markets: risk-return characteristics and empirical facts Equity markets: risk-return characteristics and empirical facts	C. Martínez

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10	27-Nov-24	Discussion Topics: Group presentations on selected International Finance Topics	C. Martínez
	11-Dec-24	FINAL EXAM	

Student workload (including self-study) 75 hours

3. PROFESSOR

Clàudia is the CEO of Avançsa, a Catalan Government sponsored Venture capital firm. Avançsa promotes public-private partnerships in projects aiming to boost industrial competitiveness and innovation. She is also currently a lecturer at ESCI-UPF Master of Science in International Businesses; and a Member of the Editorial Board of “Revista CIDOB Afers Internacionals” (A four-monthly cultural/academic journal on international relations).

She holds a PhD in Economics from Columbia University and a Master in Economics from the same university as well as from a Master from Universitat Pompeu Fabra.

Before joining Avançsa Venture Capital, she was a Lead Economist in the Research Unit of CaixaBank (one of the Top Spanish Bank), she also worked as a Research Assistant at Columbia University and at the National Bureau of Economic Research (NBER), and as an Assistant Professor at Columbia University and Universitat Pompeu Fabra.

Her areas of study include international trade and macroeconomics, with emphasis on the US and emerging economies (Asia and Latin America), as well as on the Spanish external sector. Her research has been published in the Journal of Development Economics, Review of International Economics and the Bank of Spain, among others.

Carlos is Senior Economist at the Research and Strategic Planning Department of CriteriaCaixa. CriteriaCaixa is an investment holding company that manages the assets of “la Caixa” Banking Foundation, one of the largest foundations in the world. Among his main roles and responsibilities, Carlos is in charge of monitoring and analyzing developments in international financial markets with a particular focus on monetary policy. He also produces fixed-income and foreign exchange investment proposals on a regular basis.

Prior to joining CriteriaCaixa, Carlos was an Economist at the Research Department of CaixaBank and previously worked as an Analyst for different financial industry firms, such as KPMG Advisory and Banc Sabadell.

He holds a Master of Science in Macroeconomics and Financial Markets from the

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Barcelona Graduate School of Economics and a Bachelor in Economics from the Universitat Autònoma de Barcelona.

4. BIBLIOGRAPHY/RESOURCES/ READING MATERIALS

The main textbook used in the course is:

- Krugman, P., Obstfeld, M., & Melitz, M. (2017). International Economics: Theory and Policy, the latest edition. Pearson.
- Siegel, J. J. (2014). Stocks for the long run: The definitive guide to financial market returns & long-term investment strategies. McGraw-Hill Education.
- Fabozzi, F.J., & Mann, S.V. (2005). The handbook of fixed income securities. New York (Chapters 1 to 4).

Additional reading from online publications, newspapers and others will be posted on the eCampus resources.

Finally, for those who have no training in Economics, they should get familiar with some of the concepts explained in the following book:

- Mankiw, N. G. (2020). Principles of economics. Cengage Learning.