

INTERNATIONAL TRADE AND MONETARY SYSTEM

IE University

Professor: **JUERGEN FOECKING**

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Academic year: 23-24

Degree course: FIRST

Semester: 2^o

Category: BASIC

Number of credits: 6.0

Language: English

PREREQUISITES

Students should be able to master basic economic thinking equivalent to the introductory microeconomic and macroeconomic courses of preceding semesters.

SUBJECT DESCRIPTION

This course aims at introducing students to the main economic and political concepts of international trade, its governance and the international financial system. It will consist of four main parts:

PART I: Introduction and Main Economic Concepts of International Trade Theory (Sessions 1 – 8)

PART II: The Political Economy of International Trade (Sessions 9 – 15)

PART III: International Financial and Monetary System and its Governance (Sessions 16 – 24)

Part IV: Financial Globalization and Recent Crises (Sessions 25 – 30)

OBJECTIVES AND SKILLS

At the end of the course, students will be able to understand, discuss and comment on topics and developments relating to international trade and contextualize the underlying political ramifications.

METHODOLOGY

Students will work individually and in teams, through reading, discussions and simulations/role-plays. The students will be taught by a mixture of traditional lecture, team- and problem-based learning, informed by directed reading assignments to be carried out in advance of discussions in class.

Most of the reading assignments refer to our textbook (see Bibliography). In addition, we will study, interpret and contextualize current media articles which will be made available to students on a regular basis.

Course material with questions and solutions for self-study will be made available for each session on the course page.

The course is taught in 12 double face-to-face sessions, 2 single face-to-face sessions (midterm and final exams) and 4 non-class, asynchronous learning exercises, excluding coaching sessions.

Teaching methodology	Weighting	Estimated time a student should dedicate to prepare for and participate in
Lectures	36.67 %	55 hours
Discussions	10.0 %	15 hours
Exercises	10.0 %	15 hours
Group work	10.0 %	15 hours
Other individual studying	33.33 %	50 hours
TOTAL	100.0 %	150 hours

PROGRAM

SESSIONS 1 - 2 (LIVE IN-PERSON)

INTRODUCTION AND OVERVIEW

- Trade and Monetary Policy in the Wider Context of Economics
- Changing Patterns of World Trade
- Introduction to the Main Concepts

Book Chapters: International Economics – Theory and Policy, Chapters 1 and 2, pp. 27 – 49. (See Bibliography)

SESSIONS 3 - 4 (LIVE IN-PERSON)

REASONS FOR INTERNATIONAL TRADE

- General Concept of Comparative Advantage
- Winners and Losers from Trade
- Trade and Income Distribution

Book Chapters: International Economics – Theory and Policy, Chapters 3 and 4, pp. 50 – 109. (See Bibliography)

Article: Baker, A. (2005): Who Wants to Globalize? Consumer Tastes and Labour Markets in a Theory of Trade Policy Beliefs." (American Journal of Political Science 49(4): 924-938) (CED) (Optional)

SESSIONS 5 - 6 (LIVE IN-PERSON)

FIRMS IN THE GLOBAL ECONOMY

- Export Decisions, Outsourcing and Multinational Enterprises
- External and Internal Economies of Scale
- Decisions on Foreign Direct Investment

Book Chapters: International Economics – Theory and Policy, Chapters 7 and 8, pp. 177 – 239. (See Bibliography)

Article: "Firms in Trade and Trade Politics." (Annual Review of Political Science 22 (1): 399-417) (CED)

SESSIONS 7 - 8 (LIVE IN-PERSON)

THE INSTRUMENTS OF TRADE POLICY

- The Instruments of Trade Policy
- Microeconomic Concepts of Welfare Analysis
- Welfare Effects of Tariffs

Book Chapters: International Economics – Theory and Policy, Chapter 9, pp. 242 – 271. (See Bibliography)

Article: The Distributional Consequences of Preferential Trade Liberalization: Firm-Level Evidence. (International Organization, 71 (2): 373 - 395) (CED) (Optional)

SESSION 9 (ASYNCHRONOUS)

GROUP WORK (Getting Started)

Students will get started on their group presentation by:

- Closely studying the instructions for their topic.
- Taking stock of any questions they may still have (which can be dealt with by email or direct contact with the professor).
- Distributing the work among the members of the group.

Interim work will have to be delivered.

SESSIONS 10 - 11 (LIVE IN-PERSON)

THE POLITICAL ECONOMY OF TRADE

- Arguments for and against Free Trade
- Median Voter Model and Collective Action
- Multilateral Negotiations: European Union and WTO

TRADE IN PRACTICE: THE EUROPEAN UNION

Introduction to the decision-making process of the EU's trade policy. This serves as preparation for the group presentations and the role-play in later sessions.

Book Chapters: International Economics – Theory and Policy, Chapter 10, pp. 276 – 309. (See Bibliography)

Article: "Occupation and the Political Economy of Trade: Job Routineness, Offshorability, and Protectionist Sentiment." (International Organization, 71(4), 665- 699) (CED) (Optional)

SESSION 12 (ASYNCHRONOUS)

ALTERNATIVE MEDIA

Students will study a recent specialized article on international trade. Based on the article, they will be asked to answer questions in writing in order to show that they understood the main premises of the author.

SESSIONS 13 - 14 (LIVE IN-PERSON)

ROLEPLAY

We will run a simulation of trade negotiations in the European Union. Students, organized in teams, will be assigned the role of different Member States with instructions on the Member States' negotiating mandates. Over the course of a fixed period, the 'mock' negotiating and bargaining process will lead to a final political decision on the issue at stake.

MIDTERM EXAM PREPARATION

- Recapitulation of the Main Concepts
- Mock Midterm Exam

SESSION 15 (LIVE IN-PERSON)

MIDTERM ASSESSMENT

SESSION 16 (ASYNCHRONOUS)

GROUP WORK (Preparing for presentation in class)

Students will have to advance with their slide set and prepare for their presentation in class. Additional guidance will be given on how to trigger discussion in class about the group's presentation topic. The final presentation slides will have to be submitted.

SESSIONS 17 - 18 (LIVE IN-PERSON)

BALANCE OF PAYMENTS AND INTRODUCTION TO EXCHANGE RATES

- National Accounting and Balance of Payments
- How do Exchange Rates work?
- Fundamentals of the Exchange Rate Markets

Book Chapters: International Economics – Theory and Policy, Chapter 13 and 14, pp. 350 - 416 (See Bibliography)

Article: "International Institutions and Issue Linkage: Building Support for Agricultural Trade Liberalization." (American Political Science Review, 98(1): 153-169) (CED) (Optional)

SESSIONS 19 - 20 (LIVE IN-PERSON)

PRESENTATIONS (GROUPS 1 - 3)

Groups 1 to 3 will deliver their 20 minute presentations. The groups will receive feedback on their presentation. Each group will also come up with one or two questions to discuss on their particular subject with class mates.

MONEY, INTEREST RATES AND EXCHANGE RATES

- What is Money?
- The Interaction of Money Supply and Demand
- Money Supply and the Exchange Rate in the Short Run

Book Chapters: International Economics – Theory and Policy, Chapter 15, pp. 417 – 451. (See Bibliography)

SESSIONS 21 - 22 (LIVE IN-PERSON)

PRESENTATIONS (GROUPS 4 - 6)

Groups 4 to 6 will deliver their 20 minute presentations. The groups will receive feedback on their presentation. Each group will also come up with one or two questions to discuss on their particular subject with class mates.

PURCHASING POWER PARITY

- The Law of One Price
- Absolute and Relative Purchasing Power Parity
- Shortcomings of the Purchasing Power Parity Model

Book Chapters: International Economics – Theory and Policy, Chapter 16, pp. 452 – 486. (See Bibliography)

Article: "The Purchasing Power Parity Puzzle." (Journal of Economic Literature 34 (June 1996), pp. 647-668.(Optional)

SESSIONS 23 - 24 (LIVE IN-PERSON)

PRESENTATIONS (GROUPS 7 - 9)

Groups 7 to 9 will deliver their 20 minute presentations. The groups will receive feedback on their presentation. Each group will also come up with one or two questions to discuss on their particular subject with class mates.

EXCHANGE RATE POLICY

- Fixed versus Floating Exchange Rates
- Central Bank Interventions
- Financial Crisis and Capital Flight

Book Chapters: International Economics - Theory and Policy, Chapter 18, pp. 543 - 580. (See Bibliography)

Book Chapters: "International Organizations and International Institutions", in: The Sage Handbook of International Relations, Carlsnaes, W., Risse, T. and Simmons, B. eds., 2nd edition (London, Sage Publications), pp. 326 - 351.(Optional)

SESSIONS 25 - 26 (LIVE IN-PERSON)

PRESENTATIONS (GROUPS 10 - 12)

Groups 10 to 12 will deliver their 20 minute presentations. The groups will receive feedback on their presentation. Each group will also come up with one or two questions to discuss on their particular subject with class mates.

ECONOMIC POLICY IN A GLOBAL CONTEXT

- Informaton and Capital Mobility
- The Open Economy Trilemma
- The Challenge of Regulating International Banking in times of Cryptocurrencies

Book Chapters: International Economics – Theory and Policy, Chapter 19, pp. 589 – 649. (See Bibliography)

Article: "Exposure to Offshoring and the Politics of Trade Liberalization: Debates and Votes on Free Trade Agreements in the U.S. House of Representatives, 2001-2006." (International Studies

SESSION 27 (ASYNCHRONOUS)

ALTERNATIVE MEDIA

Students will study a recent specialized article on international trade. Based on the article, they will be asked to answer in writing to questions in order to show that they understood the main premises of the author.

SESSIONS 28 - 29 (LIVE IN-PERSON)

COURSE SUMMARY

- Recapitulation of the Main Concepts
- Mock Exam

SESSION 30 (LIVE IN-PERSON)

FINAL ASSESSMENT

BIBLIOGRAPHY

Compulsory

- Paul R. Krugman, Maurice Obstfeld, Marc J. Melitz. (2022). *International Economics – Theory and Policy*. 12th edition. Pearson. ISBN 9781292409719 (Printed)

EVALUATION CRITERIA

Criteria	Percentage	Comments
Class Participation	10 %	Participation in general as well as contribution to in-class exercises like group discussions and role-plays.
Intermediate Tests	25 %	Midterm exam. Students answer a mix of multiple choice and short questions (bullet-style).
Final Exam	35 %	Final exam. Students answer a mix of multiple choice and short questions (bullet-style).
Group Presentation	20 %	Group presentations. Evaluation criteria will be the quality of the slides and the presentation to classmates.

Individual Work	10 %	Two essays of about 1000 words each, taken in asynchronous sessions shortly before the midterm and final exams. The topics of the essays will be relevant for those exams.
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GENERAL OBSERVATIONS:

Each student has four attempts over two consecutive academic years to pass this course.

For every BIE Program mandatory class, students are required to obtain the minimum grade of 5 required to pass the course. Students whose grade in the Final Exam (or the largest assignment) is below 5 will fail the course. The rule applies to whichever assignment carries the greatest weight to the final grade. Dates and location of the final exam will be posted in advance and will not be changed.

Students must attend at least 70% of the sessions. Students who do not comply with the 70% attendance rule will receive a 0.0 on their first and second attempts and go directly to the third one (they will need to enroll in this course again the following academic year).

Students who are in the third or fourth attempt must contact the professor during the first two weeks of the course.

The Bachelor pursues to develop the knowledge, skills and attitudes for bringing transformative and sustainable change in today's world. Therefore, all the courses follow the principles of sustainability and diversity. Firstly, this course considers the agenda 2030 and builds upon the Sustainable Development Goals 8 (Decent Work and Economic Growth), 10 (Reduced Inequalities) and 16 (Peace, Justice and Strong Institutions). Secondly, this course is committed to an inclusive learning environment and looks to be enriched and enhanced by diversity along numerous dimensions, including race, ethnicity and national origins, gender and gender identity, sexuality, class and religion.

ATTENDANCE:

In-person attendance is mandatory at IE University, as it is an essential factor of IE's learning methodology. While we do closely monitor attendance in each course, we also consider our students responsible for their own agenda and commitments, as adult university students. With that in mind, each student may miss up to 30% of the sessions within a given course and still maintain the possibility of passing that given course. This 30% "buffer" is to be used for any absences, such as: illnesses, personal emergencies, commitments, official/governmental matters, business and/or medical appointments, family situations, etc. Students should manage their various needs, and situations that may arise, within that 30% buffer. If a student is absent to more than the allowed 30% of the sessions (regardless of the reason), s/he will obtain a 0.0 grade for that course in both the ordinary and extraordinary calls of the current academic year, and s/he will have to retake the course during the following academic year. Please pay close attention to your attendance. The program strongly encourages attending 100% of the sessions as it will improve your learning outcomes, it will increase the class performance and it will benefit your participation grade. Noncompliance with deadlines for Non-Classroom Learning activities or assignments will result in an absence for the session. Extreme cases involving emergencies such as; extended hospitalizations, accidents, serious illnesses and other cases of force majeure; are to be consulted with the Program Management (bir.biemadrid@ie.edu) for assessment of the situation and corresponding documentation, in order to support and guide each student optimally.

For more information about the university attendance policy, please check; <https://www.ie.edu/student-guide/bir/policies-and-guidelines/attendance/>

THIRD CALL RETAKE POLICY:

Any student in their third call of a course, also known as a "Retaker", is obliged to observe the following rules:

- Third call students must contact their professors before or during the first session to ask which work and or *sessions will be required to obtain a passing grade. The professor will determine which work will be required in their course.
*(e.g. when presenting group work, sitting for examinations or other work done in class)
- Retakers are exempt from failing the call due to absences; however, they are not exempt from work the professor designates as necessary to obtain a passing grade. This means some sessions may be mandatory to attend in order to complete the work within.
- Students in their third call are responsible for managing the conflicts in their schedule, should students need advice on how to manage their conflicts they should visit the program office.

EXTRAORDINARY EXAMINATION POLICY:

Any student whose weighted final grade is below 5 will be required to sit for the retake exam to pass the course (except those not complying with the attendance rules, whom are banned from this possibility).

Grading for retakes will be subject to the following rules:

- The retakes will consist of a comprehensive exam or equivalent assignment. The grade will depend only on the performance on this exam; continuous evaluation over the semester will not be taken into account.
- Dates and location of the retakes will be posted in advance and will not be changed.
- The exam/assignment will be designed bearing in mind that the passing grade is 5 and the maximum grade that can be attained is 8 out of 10.

PLAGIARISM / ACADEMIC HONESTY:

Plagiarism is the dishonest act of presenting another person's ideas, texts or words as your own. This includes in order of seriousness of the offense:

- providing faulty sources;
- copy-pasting material from your own past assignments (self-plagiarism) without the instructor's permission;
- copy-pasting material from external sources even while citing them;
- using verbatim translations from sources in other languages without citing them;
- copy-pasting material from external sources without citing them;
- and buying or commissioning essays from other parties.

IEU students must contact the professor if they don't know whether the use of a document constitutes plagiarism. For help with your academic writing, contact the Writing Center (writingcenter@faculty.ie.edu). The professor will also advise the student on how to present said material. All written assignments must be submitted through Turn-it-in, which produces a similarity report and detects cases of plagiarism. Professors are required to check each student's academic work in order to guarantee its originality. If the originality of the academic work is not clear, the professor will contact the student in order to clarify any doubts. Students using external tutorial support should report it to the professor and the BIR Program from the moment they began receiving this support. In the event that the meeting with the student fails to clarify the originality of the academic work, the professor will inform the Director of the Bachelor Program about the case, who will then decide whether to bring the case forward to the BIR Academic Review Panel. Very high similarity scores will be automatically flagged and forwarded to the Academic Review Panel. Plagiarism constitutes a very serious offense and may carry penalties ranging from getting a zero for the assignment to expulsion from the university depending on the severity of the case and the number of times the student has committed plagiarism in the past.

PROFESSOR BIO

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DR. JUERGEN FOECKING

Dr. Juergen Foecking is currently Deputy Director of the European Parliament in Spain, where he is (inter alia) responsible for Public and Institutional Relations as well as for the communication on the EU's Digital Policy (Digital Market Regulation, Artificial Intelligence). Before that, he was acting Director of the European Commission's Representation in Madrid.

Until 2014, Dr. Juergen Foecking worked as official and in various management positions at the Directorate General of Competition of the European Commission in Brussels. There he dealt with the European response to the banking crisis of 2007/08, in particular the drafting of new guidelines for bank resolution. He also managed a team to regulate State subsidies to regional airports and airlines.

Dr. Juergen Foecking also worked in the private sector as assistant to the CEO of a German bank as well as in management consulting.

He studied Economics in Cologne and Dublin and holds a PhD in Economics of the University of Cologne.

OTHER INFORMATION

Contact details: jfoecking@faculty.ie.edu

Students can meet me by appointment.

CODE OF CONDUCT IN CLASS

1. Be on time. Students arriving more than 5 minutes late will be marked as "Absent". Only students that notify in advance in writing that they will be late for a specific session may be granted an exception (at the discretion of the professor). Students attending online must always have their cameras on during the session or risk being marked absent.
2. If applicable, bring your name card and strictly follow the seating chart. It helps faculty members and fellow students learn your names.
3. Do not leave the room during the lecture: Students are not allowed to leave the room during

lectures. If a student leaves the room during lectures, he/she will not be allowed to re-enter and, therefore, will be marked as “Absent”. Only students that notify that they have a special reason to leave the session early will be granted an exception (at the discretion of the professor).

4. Do not engage in side conversation. As a sign of respect toward the person presenting the lecture (the teacher as well as fellow students), side conversations are not allowed. If you have a question, raise your hand and ask it. If you do not want to ask it during the lecture, feel free to approach your teacher after class. If a student is disrupting the flow of the lecture, he/she will be asked to leave the classroom and, consequently, will be marked as “Absent”.
5. Use your laptop for course-related purposes only. The use of laptops during lectures must be authorized by the professor.
6. The use of Social Media or accessing any type of content not related to the lecture is penalized. The student will be asked to leave the room and, consequently, will be marked as “Absent”.
7. No cellular phones: IE University implements a “Phone-free Classroom” policy and, therefore, the use of phones, tablets, etc. is forbidden inside the classroom. Failing to abide by this rule entails expulsion from the room and will be counted as one absence.
8. Escalation policy: 1/3/5. Items 4, 5, and 6 above entail expulsion from the classroom and the consequent marking of the student as “Absent.” IE University implements an “escalation policy”: The first time a student is asked to leave the room for disciplinary reasons (as per items 4, 5, and 6 above), the student will incur one absence, the second time it will count as three absences, and from the third time onward, any expulsion from the classroom due to disciplinary issues will entail 5 absences.

UNIVERSITY