

Course Concept International Economics

1 Table of Contents

1	Table of Contents	1
2	Course content.....	2
2.1	<i>Learning goals.....</i>	2
2.2	<i>Prerequisites.....</i>	2
2.3	<i>Text book.....</i>	3
3	Course organization	3
3.1	<i>Meetings</i>	3
3.2	<i>Course components.....</i>	3
3.3	<i>Examination</i>	4
3.4	<i>Registration.....</i>	6
3.5	<i>Information for students from other departments.....</i>	7
3.6	<i>Information for exchange students.....</i>	7
4	Outline of Learning Modules.....	7
4.1	<i>LM 01 Introduction to International Economics</i>	7
4.2	<i>LM 02 The gravity model of trade.....</i>	7
4.3	<i>LM 03 The Ricardo model</i>	7
4.4	<i>LM 04 Specific Factors and Income Distribution</i>	8
4.5	<i>LM 05 Heckscher Ohlin Model</i>	8
4.6	<i>LM 06 Standard Trade Model</i>	8
4.7	<i>LM 07 Economies of Scale & Location of Firms.....</i>	8
4.8	<i>LM 08 Trade Policy & Political Economy.....</i>	8
5	Course calendar	9
6	Communication, feedback	9

2 Course content

As controversial as always, international economics remains a relevant topic in the economic discourse. In recent decades alone, rising trade and financial ties between developed and developing countries have sparked discussion and even public resistance inspired by allegations that economic "globalization" has intensified global issues ranging from poverty to pollution. Foreign economic policy issues have now gained an even more prominent position in public discourse over the recent years, compounded by the recent wave of overseas protectionist policies.

To illuminate current affairs, this course offers an up-to-date and understandable theoretical context. This course will present the underlying logic of international economics, theoretical development and important policy issues. The focus of the course is on the real side of trade policy, i.e. trade in goods.

In the next weeks, we will study recent general trends in international trade that have been preoccupied international economists for more than two centuries, such as the essence of trading goods, the importance of free trade in relation to protectionism and the political economy of trade policy.

2.1 Learning goals

Your course work is supposed to enable you to give answers to questions like the following:

- How does trade affect a country's consumption possibilities and does this always imply gains from trade?
- International trade often has a powerful impact on the distribution of income within countries. What determines international trade winners and losers and how can the latter be compensated?
- How does trade alter the distribution of income between broad groups, such as workers and the owners of capital?

2.2 Prerequisites

Ideally, you have completed the course "Introduction to Economics" and "Introduction to Microeconomics" before this course. In particular, we take it for granted that you are familiar with concepts such as utility functions, optimization, or Pareto efficiency, and we assume that you are comfortable with taking derivatives and simple algebra.

2.3 Text book

The textbook "International Economics" by Krugman, Obstfeld & Melitz, which is available in the school library, accompanies much of the course. In particular, the course covers the first half of the book which relates to trade in real goods.

In this course, a textbook may help you (especially if you prefer learning from textbooks, or if you have limited online access), however it is not strictly necessary to work with the textbook. Alternative sources that are freely accessible are linked throughout this course.

3 Course organization

You will study this course completely online on ILIAS, at your own pace and in your preferred time slots. With your registration for the course via Marvin (LV-02-175-021)), you are registered for the ILIAS course as well. You find all the course components explained below. Alternatively, one can join the ILIAS group via this [link](#).

3.1 Meetings

We have scheduled three (presence) meetings with the possibility of attending online for this course. The first meeting is scheduled on April 15th 2021 between 10:15-11:45 to explain the course concept. In the second (on May 20) and third meeting (on June 17), we will address your questions with regard to the content of the course. Due to the current restrictions, the first meeting will be exclusively online. We will use this [BigBlueButton](#) room for the meetings. Further (online) meetings will be scheduled in response to specific requests if necessary, and will be explicitly announced in the forum.

3.2 Course components

The course consists of:

- 8 Learning Modules
- 2 Tests
- 2 Exercises
- Forum interaction
- 3 (Online) meetings

In the Learning Modules you find all the material to be studied. For your convenience, all the files that are linked in the learning modules are collected in the folder course material. You can organize your studies according to your own time preferences and constraints. However, bear in mind the dates of the four parts of your examination, as explained below.

3.3 Examination

Two tests and two exercises on ILIAS jointly make up your examination. You will solve the tests and exercises remotely. The examination allows open books, but not open communication. Collaborate during the examination is strictly prohibited!

The examination format is covered by §4 of the “Satzung der Philipps-Universität über Abweichungen im Zulassungs-, Studien- und Prüfungsrecht während der SARS-CoV-2-Pandemie” (to be found [here](#)). You have to explicitly agree to the format. Please do so via the tool “Agreement with the examination format” on ILIAS. Your agreement is necessary to make sure that you are informed; there are no alternative examination formats for this course available. You will only have access to the examination elements if you have agreed to the examination format.

The evaluation as described below requires that you register for the examination in this course in the registration phase for the first sit. As announced by the examination office you can unregister until the deadline, but you cannot register after the deadline. If you do not register for the examination in this course before the registration date your course performance cannot be graded on the basis of the ILIAS-tests and -exercises. Information with regard to registration is provided in 3.4.

You can earn up to 20 points for each test and each exercise. All results will be available after the semester latest by 31.07.2021. If you do not participate in a test or in an exercise, this test or exercise will be graded with zero points. Your final point score will consist of your three highest scores achieved in the tests and the exercises. In total, you can earn up to 60 points. There is a grading example provided below.

We intend to translate the points into a grade in the same way as we usually do in the case of an exam (roughly: a three points increase in the total score yields a 1 point increase in the grade). You will find questions and exercises for your self-assessment in each learning module. The tests and the exercises will include some of them. It is highly recommended that you use this opportunity for practicing and obtaining feedback.

The tests are composed of several tasks. Each answering option in a task yields between -1 and 1 point. In the case that a wrong answer yields negative points, it is explicitly indicated in the description of the task. If your point score for a task is negative, it will be set to zero points. Exercises consist of several parts. The point score of each part will be indicated. The exercises will be graded manually.

In addition, you have the opportunity to earn extra points during the semester. These bonus points are awarded in addition to the exercise and test points. Learn more about the bonus points below.

3.3.1 Tests

The tasks in the test can be solved within ILIAS and are presented (primarily) in the form of multiple-choice questions. You have 20 minutes per test within a 25 minutes time frame. Each test is graded according to a 0-20 point(s) grading scale.

The tests take place on the ILIAS and are scheduled as follows:

- Test 1 (LM1 – LM4): Thursday, 27.05. 10:00-10:25
- Test 2 (LM4 – LM8): Thursday, 24.06. 10:00-10:25

3.3.2 Exercises

The exercises will ask you to apply tools from the international economics tool kit. To complete an exercise, one requires approximately 20 minutes, but you will have 1 hour to complete it. You have to upload your solution within this hour to ILIAS. Please supply the file in the format '.pdf' and make sure it is readable if you scan or photograph a hand-written solution. The file size may have to be compressed (if you check the internet for "compress pdf" you can find solutions to this challenge). We grade your submission according to a 0-20 point(s) grading scale.

The exercises take place on the ILIAS and are scheduled as follows:

- Exercise 1: Thursday, 10.06. 10:00-11:00
- Exercise 2: Thursday, 08.07. 10:00-11:00

3.3.3 Bonus points

You can earn a bonus point for pointing out a flaw in the learning material which has the potential to interfere with the students' learning success. Despite all our efforts to present the material in an accessible and coherent way, some mistakes may have escaped our attention. Please post in the course forum if you spotted such a flaw or something that puzzles you. We are grateful for your feedback. What qualifies as a "flaw" that merits a bonus point will ultimately be judged by us. You will receive immediate feedback when we award a bonus point for your hint to a flaw in our reply to your forum post.

3.3.4 Example for grading

Let's say one gains the following points during the semester

	Points		Final Points
Test 1	18	} <i>highest three results</i>	18
Test 2	6		
Exercise 1	19		
Exercise 2	15		15
			<hr/> 52 Points
		Bonus Points	+2
		Final Points	<hr/> 54 Points

As a result, the best Test (1), the both exercises as well as the Bonus Points determine the grade: $18 + 19 + 15 + 2 = 54$ Points. Your final score will be available latest by 31.07.2021.

3.3.5 Substitute in the case of an illness

In the event that an illness prevents you from participating in one of the tests or exercises, there is an option for substituting the missed part on July 16. In order to be eligible for participation in the substitute test/exercise, you must provide us with credible evidence (e.g., a doctor's note) of your inability to participate in the regular test or exercise latest three days after its scheduled date. The substitute incorporates elements from the tests and exercises, and covers the content from all Learning Modules.

3.4 Registration

All students who confirmed their agreement with the examination format (see ILIAS) have access to the tests and exercises on ILIAS. Your performance will be evaluated if and only if you accessed any of the examination material and you are effectively registered for the examination in the first sit on June 25. That is, you have to register for the examination in order to have your course performance evaluated and you have to explicitly de-register before June 25 if you change your mind. The deadline for registration can also be found on the examination office's [website](#). For obvious (organizational) reasons there is no examination option for this course in the re-sit examination phase.

3.5 Information for students from other departments

Students from other departments have to register for credits at the School of Business & Economics. Please fill in the form of the examination office for this purpose [here](#). In addition, you have to register for the examination as explained in the previous paragraph.

3.6 Information for exchange students

Your contact person at the school of Business & Economics is Lawrence Brown. He informs you how to register for the examinations in your courses. Contact him via e-mail to: Lawrence.brown@wiwi.uni-marburg.de

4 Outline of Learning Modules

All Learning Modules will be available in the first week of the semester. The Learning Modules are organized to best be studied in the presented sequence. Use the tab "Table of contents"/ "Inhaltsverzeichnis" to display the table of contents.

You will find a collection of the slides that appear in a Learning Module on its front page. If you face difficulties to access any of the media that we use to convey the content (e.g., due to a visual impairment), please let us know and we will offer a more accessible substitute.

4.1 LM 01 Introduction to International Economics

We will introduce absolute and comparative advantage as sources of gains from trade, discuss globalization and what global trade agreements actually are about. In addition, the Learning Module provides an outline of the basic core concepts in microeconomics required for this course.

4.2 LM 02 The gravity model of trade

In this Learning Module we study the gravity model of international trade which forecasts bilateral trade flows on the basis of economic sizes and distances between two countries.

4.3 LM 03 The Ricardo model

We analyze the Ricardian model in this Learning Module, which demonstrates how countries that vary in labor productivity in different industries give rise to trade and gains from trade. We will see that the distribution of trade profits depends on the relative prices of the products generated by the countries.

4.4 LM 04 Specific Factors and Income Distribution

In this Learning Module, we are studying a valuable model for observing the impact of trade on income distribution: the specific factors model. The model makes it possible to differentiate between factors that can move between sectors and factors that are exclusive to specific sectors. Resource differences in this model may cause countries to have different relative supply curves, thus creating the opportunity for international trade.

4.5 LM 05 Heckscher Ohlin Model

In order to explain the role of resources in trade, we are developing a model in which two goods are manufactured using two production factors. As a result, countries export products that are intensive in terms of the factors with which they are abundantly supplied. The owners of the abundant factors benefit from trade and the owners of scarce factors lose.

4.6 LM 06 Standard Trade Model

We study the standard trade model in this Learning Module that derives a world relative supply curve and a world relative demand curve from the combined production possibilities and the consumer preferences. This setting is used to assess the impact on a country's welfare by a change in the country's terms of trade, by their economic development and by their trade policy instruments, e.g., the introduction of import tariffs.

4.7 LM 07 Economies of Scale & Location of Firms

We address trade patterns in this Learning Module that are—unlike in the previously studied models—not the result of comparative advantage, but derive from economies of scale, that is, from a tendency to lower unit costs with greater production. Economies of size provide countries with an opportunity to specialize and trade even in the absence of differences in their resources or technology.

4.8 LM 08 Trade Policy & Political Economy

We are studying the benefits and costs from the implementation of import tariffs, export subsidies and quotas in this Learning Module. In addition, due to domestic market failures, we are considering the prospect of deviating from free trade.

5 Course calendar

All relevant dates during the semester are summarized in the calendar below. In addition, while this course's structure makes it possible to freely choose one's pace, we include a recommended learning schedule.

Week		Proposed Learning schedule	Test & Exercise	Meetings
1	12.04. – 16.04.	LM01		Meeting 01
2	19.04. – 23.04.	LM02		
3	26.04. – 30.04.	LM03		
4	03.05. – 07.05.			
5	10.05. – 14.05.	LM04		
6	17.05. – 21.05.	LM05		Meeting 02
7	24.05. – 28.05.		Test 1 (LM 1-4)	
8	31.05. – 04.06.	LM06		
9	07.06. – 11.06.	LM07	Exercise 1 (LM 1-5)	
10	14.06. – 18.06.	LM08		Meeting 03
11	21.06. – 25.06.		Test 2 (LM 5-8)	
12	28.06. – 02.07.			
13	05.07. – 09.07.		Exercise 2 (LM 1-8)	
14	12.07. – 16.07.		(substitute test/exercise ¹)	

6 Communication, feedback

We will use the ILIAS course forum as our exclusive communication channel. Please make sure that you regularly check the course forum or your e-mail address underlying your ILIAS profile. The course forum is set up in a way that you will automatically receive an e-mail notification of each post. You can deactivate the e-mail notification (click on the bell-symbol in the forum). Please use the forum for all questions that may be of interest for other students as well. Note that each modification of your posts triggers an e-mail to all course participants (for whom the notification is active). You may want to consider re-reading before posting.

Important announcements, such as updates to the content of this document, will (in addition to a forum post) be sent via e-mail to all ILIAS course members. We hope that modifications to these rules will not be necessary, but if so, the changes will be highlighted in the new version.

Your feedback is welcome. Please let us know if anything in this document or in the material on ILIAS is unclear. You can expect a response to e-mails or forum posts within three days. If you

¹ Only for students who missed a test/exercise due to sickness; see 3.3.5

have not received an answer after three days have passed, your issue may have escaped our attention. Please contact us again.

Please request an (online) office hour via e-mail.

M.Sc. Johannes Zahner: Johannes.zahner@wiwi.uni-marburg.de