Course: International Economic Relations (IWB)

Lecturer: Prof. Dr. Alexander Ruddies

Learning Outcomes:
On completing the module the students will have achieved the following learning outcomes on the basis of scientific methods:

Subject skills
Students acquire a detailed knowledge of incentives for involvement in international trade as well as for the specialisation and importance of relative prices in the field of international trade. They know the meaning of the terms of trade as well as the description of the welfare effects of foreign trade. Students are able to deal with selected questions on issues such as the balance of payments, how exchange rates are determined and its effects, and the international capital markets. Students have a detailed knowledge of the possibilities of economic policy management within international trade relations and international institutions.

Social skills
Students are able to express reasoned opinions in planning and decision making processes.

Method skills
Students are able to take decisions in the context of international economics and evaluate the outcomes of those decisions. They are able to analyse developments in pure as well as in monetary foreign trade and make decisions in the field of international trade policy.

Personal skills
Students are able to discuss by means of group work. They can both exercise and respond to constructive criticism, and present their conclusions in a rational manner.

Content
The main emphasis of the course is on informing/updating students on latest developments in the fundamental causal connections between foreign trade networks in our increasingly globalised environment as they impact our daily lives.

Part I - Fundamentals of pure international trade
Chapter 1
- Germany's integration into world trade
- Regional and merchandise structure
- Position of Germany in international trade

Chapter 2
- Balance of payments
- Function and purpose
- Partial balances
- Transactions

Part II - Theoretical analysis of international economic relations
Chapter 3
- Reasons for establishing foreign trade relations
- Non-availability of certain goods and resources
- Inter-industry trade
- Intra-industry trade
- Gain from trade
- RICARDO's Theorem of comparative advantage
• Heterogeneous preferences and marginal costs
• Factor proportions theorem o Leontief paradoxon

Chapter 4
• Terms of Trade o Commodity Terms of Trade
• Income Terms of Trade o Factor Terms of Trade

Chapter 5
• International finance
• Opportunities and risks
• Structure and manifestations
• Autonomous international finance transactions

Chapter 6
• Currency markets, exchange rates and international monetary system
• Currency markets (definition, objective, spot and forward exchange market, currency swaps and options, arbitrage transactions)
• Determination measures of exchange rate movements (purchasing power parity theory, interest rate parity theory, expectations theory, simultaneous equilibrium)

Chapter 7
• Economic interdependency of open economies
• International business cycles (impulses and mechanisms) within fixed and flexible exchange rates
• International interests within fixed and flexible exchange rates
• Imported inflation within fixed and flexible exchange rates

Chapter 8
• Problems of stabilisation in open economies
• Fiscal and monetary policy within fixed and flexible exchange rates
• Mundell - Fleming Model Part III - International design and implementation of macroeconomic policy

Chapter 9
• General Principles
• Integration and nationalisation
• Fixed vs. flexible exchange rates
• Convertibility vs. foreign exchange controls

Chapter 10
• International economic integration
• Patterns and steps
• Theory of optimum currency area
• International monetary order and European monetary union

Chapter 11
• Foundations of tariff policy and protectionism
• Goals and instruments of protectionism
• Effects of tariffs
• Non-tariff trade barriers o Free trade doctrine and protectionism: summary

Teaching and learning methods
Seminar-style tuition with exercises
Oral presentation with PowerPoint – occasional handouts
Unsupervised project work on topical questions.

Grading/Evaluation
Written exam

Attendance
Compulsory; max. 25 students