



Sungkyunkwan University (SKKU) International Summer Semester (ISS) 2021

## **International Economics: Path to Balanced Growth**

**Prof. Young-Han Kim (Sungkyunkwan University)**

### **SHORT COURSE DESCRIPTION**

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This course targets to figure out how the international economic structures and policies can induce balanced growth at the individual country level and the global level. As a stepping stone, we'll examine the basics of international economics such the source of gains from international trade, the impacts of trade on income redistribution, political economy of international trade policies and trading systems. After examining the structural features of the current WTO system, we will examine the structural problems of the current international financial system. More specifically, this course will examine why the global financial crisis are repeated with the amplified global shocks focusing on the role of foreign exchange markets and the speculative international financial flows.

### **READING MATERIALS**

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1. Krugman, P, M. Obstfeld and M. Melitz, 2018, International Economics: Theory and Policy, Pearson
2. Additional weekly reading materials will be announced and distributed in the class. Topics of reading materials mainly cover current issues of international trading systems and international financial systems including the global financial crisis and the path for the global economic recovery.

### **COURSE REQUIREMENTS AND GRADING**

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Students are required to actively participate in the class discussions including the following requirements. i) All students are expected to participate in small group research projects and presentation on an issue related to current international economic issue selected by students. The research group will be formed considering the students regional and academic diversity to expand students' perspectives. After 3 weeks' group research activities, each research group is expected to present the research outcomes by the end of the semester. ii) All students are expected to take the final exam on the basic issues of international economics and international trade and financial systems which will be discussed in the class. Final grade will be based on students' performances in a group research project (40%), the performance in the final exam (40%), the active class participation throughout the semester (20%). SKKU regulations require students to attend at least 80% of all classes to pass the course. Grade will be given as Pass or Fail with a percentage scale of the performance.

### **COURSE SCHEDULE**

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#### **– WEEK I –**

- Thursday (24 June) Introduction of the current international economic issues and the role & goal of international economics:
- The chaos of international trading systems and what can be done with international economics?
- Questions for Discussions:
- Global Economy & Global Economic Order: A phantom or reality?
  - What is Border?
  - Is Cross-Border Transaction really different from domestic transaction?

Friday (25 June) The basics of international trade theory I:

- The source of gains from international trade starting with Classical trade theories: Ricardian model, specific factor model, and Heckscher-Ohlin model

Questions for Discussions:

- What is the source of gains from international trade?
- What determines the comparative advantage?
- Technological Asymmetry? Asymmetry in Factor Endowments?

**– WEEK II –**

Monday (28 June) The basics of international trade theory II: Income redistribution effect of international trade (Classical trade theories): Specific factor model, and Heckscher-Ohlin model)

Questions for Discussions:

- No loser from international trade, Really?
- Labor as a perfectly mobile production factor, Really?
- Specific factor for import industries: Source of all tragedy?

Tuesday (29 June) The basics of international trade theory III: International Labor Movement and International Capital Movement

Questions for Discussions:

- Trumpian Border Wall: Savior for American Workers?
- Who are the losers from Trumpian Border Wall?
- Does free capital movement really benefits developing economies?

Wednesday (30 June) New Trade Theory

- Economies of Scale Effects and Intra-Industry Trade

Questions for Discussions:

- Infant Industry Protection policies: Right Approach?
- Intra-industry trade: Do we really benefit from IIT?
- Economies of Scale: The path towards 'Winner Takes All' system?

Thursday (1 July) The welfare effects of trade policies

Questions for Discussions:

- Trade policies, different from other economic policies?
- Can trade policy intervention improve social welfare?
- Tariff, quota, which is better?

**– WEEK III –**

Monday (5 July) Political economy of trade policies

Questions for Discussions:

- Why politicians choose stupid policies?
- Are policy makers social welfare maximizers?
- Who are influential interest groups?

- Tuesday (6 July) International Trading systems:
- i) Bretton Woods system, the very first international system that can prevent the trade war and the world war
  - ii) Is WTO system working or perishing away?
  - iii) Preferential Trade Systems (FTA and Economic Union): What's wrong?

- Wednesday (7 July) Trade policies and development policies:
- i) Can infant industry protection policies bring economic development?
  - ii) Can strategic trade policies provide economic leadership of the advanced economy?

- Thursday (8 July) Foreign exchange rate system:
- i) Old good days of 'Gold Standard System'
  - ii) Does the current free floating system benefit only international speculators?

– WEEK IV –

- Monday (12 July) Optimal currency zone:
- i) Is the EURO zone sustainable or destined to collapse?
  - ii) Is the repeated global financial crisis unavoidable?

- Tuesday (13 July) Apocalypse of the global economy?:
- i) Will the current trade war and currency war bring another round of global conflicts economic collapse?
  - ii) Is there no exit from the current vicious circle of protectionism by populist politicians and increasing global conflicts?
  - iii) Can inclusive trade policies and financial policies make differences?

Wednesday (14 July) The group discussions and presentations of research projects

Thursday (15 July) The final wrap up of the courses and the final exam