

Program: CET Florence

Course title: Econ 2260 (Vanderbilt listing), International Economics.

Course Code: ?

Total Hours: 45

Recommended Credits: 3

Suggested Cross Listings: ?

Language of Instruction: English

Prerequisites/Requirements: Principles of Economics (Introductory Economics)

#### Description:

What are the causes, consequences, and conduct—the three “C’s”—of economic interactions that take place across national borders between individuals, businesses, and organizations that reside in different nations? This class aims to provide you with the information and tools you need to understand these three C’s of international economics. Below are some examples of these international economic interactions that this course will help you understand.

What causes Bangladesh to be a net exporter of textiles and apparel but an importer (from the United States) of transportation equipment? What are the implications of this trade for the residents of Bangladesh, and for the residents of the United States? What institutional frameworks, such as memberships in international trade organizations or domestic standards for labor safety, regulate the conduct of the exporters and importers?

What caused Florence, Italy, to be an exporter of woolen cloth from before the Renaissance (and neighboring Prato to be an exporter of textiles for centuries afterward)? What were the implications of this pattern of trade for the residents of Florence and Prato? For residents of the rest of the world? Why has Prato been the center of Chinese immigration into Italy over the last two decades? What are the effects of this immigration on the original Prato residents? Are there lessons for the current world from the historical evolution of this pattern of trade?

What causes the United States dollar to be used so widely around the world and the Chinese currency, the Renmibi, to be used primarily within China? Who gains, and who might lose, from such an arrangement. What institutions are in place that facilitate this arrangement? A related issue is: what caused most member countries of the European Union to adopt a common currency, the Euro? What caused some, like the United Kingdom, to keep instead their own sovereign currency, the Pound Sterling?

What gave rise to the international institutions that were formed after World War Two to foster increased economic interdependence among the nations of the world? What have these institutions accomplished? What is their future?

This course approaches the material in two main ways. As in most economics courses, this course teaches a set of models—mostly through narratives and diagrams, but with a few key equations-- that are used to organize thought about the three C's. The course also develops understanding via an extended case study of the international economic interactions involved in the making of T-shirt.

### Objectives

This course aims to have students:

1. Understand the basic models used by economists to organize thought about the challenges and opportunities that arise from international economic interactions, and to be able to apply them to current international economic issues.
2. Understand the basic institutions (and the history that gave rise to them) that undergird the global economy.
3. Improve their abilities to use cohesive and logical reasoning patterns to determine whether to accept, reject, or suspend judgment about the public policy issues that arise from these international issues.

### Course Requirements

Lectures and in-class group work are the primary forms of instruction. I expect students to come to class having read the assigned readings and prepared to participate in the class. There will be a mid-term and a final. Another part students' grades will be based on a journal kept by them in which they record their daily responses to their classroom and reading experience. For example, they would record what they did not understand, what they did understand, what questions arose for them after some

retrospection, and so on. While graded, this is to be treated as an informal writing assignment-no worries about punctuation and grammar. It is designed to help you take control of your own learning experience. In detail:

1. Class attendance and participation: 25%
2. Journal: 25%
3. Midterm: 20%
4. Final:30%

## Texts

International Economics Classpack, by Mario Crucini and Robert Driskill (hereafter "CD");

"Travels of a T-Shirt in the Global Economy," by Pietra Rivoli, 2<sup>nd</sup> edition, 2015, John Wiley and Sons, Hoboken, NJ (hereafter "Travels").

## Outline of Course Content

TOPIC 1: The purview of international economics; the micro/macro distinction; a basic paradigm:

CD, Ch.1-3; Travels, Ch. 1.

TOPIC 2: The endowment economy (also known as the Halloween economy or the economy of a prisoner-of-war camp): Radford, "Economic Organisation of a POW camp," *Economica*, May 1945; Seinfeld episode "The bottle return."

CD, Ch. 4-5

TOPIC 3: The history of American domination of the global cotton market.

Travels, Chs. 2-4

TOPIC 4: Intratemporal trade: Trading consumption today against consumption tomorrow; intertemporal budget constraints; the trade account and the current account.

CD, "A Little Macro" Chapter

TOPIC 5: Comparative Advantage: The “Fifty Shades” model, aka the S and M or Specific and Mobile Factors model; Ricardo as a special case.

CD: S and M chapter

TOPIC 6: Cotton goes to China

Travels, Pt II

Topic 7: Winners and losers from globalization

TOPIC 8: Money, prices, and exchange rates; the Euro; Radford, "Economic Organisation of a POW camp," *Economica*, May 1945 (again); Cecchetti, "The Big Mac Exchange Rate (mimeo).

TOPIC 9: The market for foreign exchange; capital flows, international interest-rate differentials.

TOPIC 10: Trade and geography; external economies of scale.

TOPIC 11: International factor movements; migration; multinationals.

TOPIC 12: “Dogs Snarling Together:” Trade history from Ricardo to now; The IMF, the World Bank, the WTO; Political economy of trade.

Travels, Pt. III