**NEAR EAST UNIVERSITY**

**FACULTY OF ECONOMICS AND ADMINISTRATIVE SCIENCES**

**ECONOMICS DEPARTMENT**

**World/ Global Economics**  Asst Prof Dr Ergin **Akalpler**  Economics Department

**Course Description**

 In its international edition vividly demonstrates the relevance of theory to real-world economic issues and policy questions. Students will become familiar to the international economics. The theoretical and practical application of international trade and theories will be comprehensively defined. Impact of the free movement of goods, labour is questioned and effects on fiscal sector are researched. Discussions are presented both verbally and graphically, making the text highly accessible even for students with little economics background, and a flexible format makes the text suitable for a wide range of course structures and subjects.

**Text Books**:

[Robert J. Carbaugh](http://www.google.com.tr/search?hl=tr&tbo=p&tbm=bks&q=inauthor:%22Robert+J.+Carbaugh%22): Global Economics, South-Western Cengage Learning, 2011

# [Dominick Salvatore](http://www.amazon.com/Dominick-Salvatore/e/B000BCLJRU/ref%3Ddp_byline_cont_book_1): International Economics, Prentic Hall, 10th Edition

Bhagwati Jagdish: International Trade, The MIT press Cambridge, England, 1987

Baylis John and Steve Smith: The Globalisation of World Politics, Oxford University Press, Oxford, 1999

Gandolfo Giancarlo: International Trade Theory and Policy, Springer, Italy, 1998

Elgar Edward: The Politics and Economics of the EU, Second edition, Edward Elgar publishing, USA, 2001

Gilpin Robert: The Challenge of Global Capitalism, Princeton University press, New Jersey, 2000

**Books: Global Economics, R. Carbaugh, Salvatore D. and Bhagwati**

**World Economics learning objectives overview**

1. In this course students will be able to comprehend different international trade theories of decision-making under conditions of scarcity and uncertainty;

2. Analyze choice and demand, production, cost, the firm and market structure and market failure;

3. Develop analytic tools used to understand how the economy functions in aggregate;

4. Understand short- and long-run economics fluctuations;

5. Recognize the cause of trade, sources of the gains from trade and the domestic and international distribution of those gains;

6. Examine instruments and consequences of trade policy measures—including tariffs and non tariff restrictions; and

7. Understand international financial markets and the macroeconomics of open economies; balance of payments and the trade balance; exchange rates and the foreign exchange market; interest rates and capital flows; central banking and monetary policy in open economies; and exchange rate regimes.

**CH1: The international Economy and Globalization**

**Learning Objectives**

Students will become familiar with the origins and implications of processes of international economic integration and differentiation, the basic features of the international financial and monetary systems, and their implications for national economic policy.

**Key points**

In this chapter globalisation and its discontent will be introduced,

global market structure, international trade relations,

global recessions and competition is comprehensivesly explained.

**CH2: Foundations of Modern Theory: Comparative Advantage**

**Learning Objectives**

This chapter presents the first formal model of international trade: the Ricardian model. It is one of the simplest models, and still, by introducing the principle of comparative advantage, it offers some of the most compelling reasons supporting international trade.

**Key points:**

1. International Trade Theory
2. The law of Comparative Advantages
3. The Mercantilists’ View on Trade
4. Trade Based on Absolute Advantage
5. Trade Based on Comparative Advantage
6. Comparative Advantage and Opportunity Cost
7. The Basis for and the Gain from Trade Under Constant Costs

**CH3: Source of Comparative Advantages**

**Learning Objectives**

Students will learn some of the surprising outcomes of the Ricardian model; for example, less productive nations can benefit from free trade with their more productive neighbors, and very low-wage countries are unlikely to be able to use their production cost advantage in many circumstances. Students will also learn why so many people, even those who have studied the Ricardian theory, consistently get the results wrong.

**Key points:**

Factor endownents theory as a source of comparative advantages introduced, real versus relative cost advantages explained, The Comparative advantages theory and assumtıons introduced and explainied with unit labor cost application, dynamic gain from trade with producer gain and consumer welfare explained with gaphs.

In the context of the [Heckscher–Ohlin model](https://en.wikipedia.org/wiki/Heckscher%E2%80%93Ohlin_model) of [international trade](https://en.wikipedia.org/wiki/International_trade) Strategic trade andRybczynski theorem are also introduced

**Book: International Economics, Salvatore D.**

**CH 5 Factor Endowments and the Heckscher Ohlin Theory**

**Learning Objectives**

HO model introduces occurrence of [international trade](https://en.wikipedia.org/wiki/International_trade) in the light of factor endowments and HO model compares with other theories especially intra industry trade, and inter industry trade.

In this chapter It is explained that neither HO nor Comparative Advantages as a model provide any specific explanation towards intra-industry trade as under their assumptions countries with identical factor endowments would not trade and produce goods domestically.

**Key Points:**

Introduces factor endowments of the Heckscher Ohlin Theory

Assumptions of the Theory,

Factor intensity factor abundance and the shape of the production frontier,

Factor endowment and the Heckscher Ohlin theory,

Factor Price Equation and Income Distribution,

Empirical test of the Heckscher Ohlin Model is introduced.

**CH 6 Economies of Scale, Imperfect competition and International Trade**

**Learning Objectives**

In this chapter it is expected that students understand the growing share of intra-industry trade in world markets. The introduction of the assumptions of product differentiation and economies of scale into trade models provided an answer to these market structure. The presence of economies of scale creates incentives for countries to specialize in the production of a small number of differentiated products and therefore naturally leads towards intra-industry trade. But economies of scale are also contribute for understanding competiton in global markets.

**Key Points**

Economies of scale introduced,

Product differentiations explained and explained for understanding the competition in international markets,

Growing share of intra industry trade in EU and in world markets introduced

**CH 9.5 Motivating Trade Interventions**

**Learning Objectives**

Identify the various types of market imperfections and distortions.

Recognize that market imperfections and distortions are widespread in real-world markets.

Explain the effects of thee intervention and its effects in domestic and in international markets.

**Key Points**

**a**. Market distortions: market distortion is introduced under the J. Viner’s Customs Union Theory trade creation trade distortion effects

book: Bhagwati, chapters 21, 25, 26, 27 and section 28.1

**b Strategic trade interventions.**

strategic trade policy versus free but fair trade, when the government is bound to intervene domestic market internal firms will be supported and cause a resource transfers between external non subsidized firms and and subsidized internal firms.Book: D. Salvatore,

**Book: Global Economics, Carbaugh**

**CH 4 Tariffs**

**Learning Objectives**

Describe the various situations in which a country may rationally choose to protect some industries.

Explain why trade-remedy laws are sometimes just thinly disguised protection.

Explain the effects of a tariff or quota on imported goods.

List the most common fallacious arguments in favor of protection.

Distinguish between trade creation and trade diversion

**Key Points:**

Trade Restrictions: Tariffs

1. Introduction
2. Partial Equilibrium Analyses of a Tariff
3. The Theory of Tariff Structure
4. General Equilibrium Analyses of a Tariff in a Small Country
5. General Equilibrium Analyses of a Tariff in a Large Country
6. The Optimum Tariff and ERP NRP

**CH 5 Non tariff Barriers**

**Learning Objectives**

Learn about some specific non-tariff barriers, NTB

Explain why the welfare effects of quotas are worse than those of tariffs

Explain why the welfare effects of VER are worse than those of quotas

Analyse the welfare effects of a domestic production subsidy

Analyse the welfare effects of an export subsidy

Analyse validity of arguments for protection

**Key Points**

Export subsidies, import subsidies, voluntary export restrain, export quotas, import quotas, direct payments, set aside measures, production quotas, etc other non tariff measures are introduced and application on graphs will be explained advantages disadvantages on the free but fair trade considered.

**CH 6/ 7/ 8 Trade agreements / Trade Regulations/ Trade Policies**

**Learning Objectives**

In these combined three chapters trade agreements WTO (GATT), NAFTA, EFTA, FTA: The United States is negotiating a FTA regional, the [Trans-Pacific Partnership (TPP)](http://www.trade.gov/fta/tpp/index.asp), and the United States and the European Union launched negotiations on the [Transatlantic Trade and Investment Partnership (T-TIP)](http://www.trade.gov/fta/ttip.asp), [Asia-Pacific Trade and Investment Agreements Database (APTIAD](http://www.unescap.org/tid/aptiad/default.aspx) and others are introduced. For trade regulations and policies: price support system of the EU, subventions and subsidies, tariff non tariff measures briefly are introduced and other regulations are introduced.

**Key points:**

From Doha to Hong Kong trade negotiations introduced in the WTO

From the 1970s to date reforms introduced. Briefly the Uruguay Round was the 8th round of [multilateral trade negotiations](https://en.wikipedia.org/wiki/Multilateral_trade_negotiations) 1980s, the 1992 Mac Sharry reform, the Agenda 2000, the 2003 reform and 2013 reform

Trade policies and regulations are briefly introduced and its effects on the trade liberalisation is considered.

**CH 9 International Factor Movements and Multinational Enterprises**

**Learning Objectives**

Consider the implications of international movements of factors of production labor and capital – as an alternative form of international trade / globalization.

Examine reasons why countries may restrict to the movement of factors of production, as well as the implications of such barriers.

Questioning effects of restrictions on trade and impact on international capital and labor mobility investigate

**Key points:**

Motive for FDI and FPI investments, free movements of labor and capital introduced and questioned. Effects of multinational companies and enterprises are introduced and researched in the light of international trade theories.

**CH 10 Balance of Payment**

**Learning Objectives**

Define the components of balance of payments. Explain the factors, which cause changes in the exchange rate. Introduce the reasons of demand for and supply of foreign currency. Explain a current account deficit problem. Describe flexible exchange rates and fixed exchange rates and its effects on output and employment. the theory of one law and purchasing power parity introduced.

**Key points:**

Balance of payments structure,

Capital and financial account,

Impact of the current account deficit on production operation process,

Reasons for the current account deficit,

Net foreign investment and current account balance.

**CH 11 Foreign Exchange Rates**

**Learning Objectives**

Introduce foreign exchange rates and its determination. Difference between floating and fixed exchange rate systems introduced.

Balance of trade and balance of payments is explained effects defined.

Effects on the trade deficit and effects on the inflation is questioned

**Key points:**

 Foreign exchange rates, types of foreign exchange rates and its determination is explianed. Nominal and real exchange raters is defined.

Arbitrage, forward rate and sport rate compared and forward market explained.

Fluctuation in the market and exchange rate risk introduced