



香港中文大學
The Chinese University of Hong Kong

GLEF 3020 Global and Regional Economic Integration
2021-22 Term 2
Course outline

Class time and location

Time: Thursday 9:30 – 12:15

Location: HYS_G01

Instructor

LYU Dan

ELB 911

Email: danlyu@cuhk.edu.hk

Teaching assistant

WU Shujie: wushujie@link.cuhk.edu.hk

Mode of Teaching

Face-to-face teaching and assessment. In view of the risk of the spread of COVID-19, the course may be conducted online through Zoom including all lectures, and presentations.

Course overview and learning outcomes

This course studies the economics of world integration. We will explore the arguments for and against opening an economy to international trade in goods and financial capital. We will specifically focus on the implications of openness for welfare, growth, volatility, and inequality. The course will include economic theory as well as several applications. Applications include the impact of trade on wages and welfare in developed and developing countries, what are the consequences for the world of the rapid growth of China? Why countries run deficit and surplus? And the recent US trade war. The emerging market crises of the 1990s and European debt crisis.

This course introduces students to the most recent work in economic integration, and we will also emphasize how the analysis connects to current events. After successfully completing the course, students should understand the basics of the global economy and be able to analyze the related issues.

Textbook

I recommend (but do not require) two textbooks:

- Krugman, Obstfeld, and Melitz, *International Economics: Theory and Policy*, (KOM). The text is meant to complement the class notes. You will not be responsible for material in the text that we do not cover in class.
- Schmitt-Grohe, Uribe, and Woodford (SUW), *International Macroeconomics*. There is a manuscript available online, <http://www.columbia.edu/~mu2166/UIM/suw.pdf>

Other readings and notes will be available online.



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Course requirements and grading

Your final grade will be based on

| | |
|-----------------------------|-----|
| Homework | 25% |
| Open book Midterm | 10% |
| Short presentation in class | 15% |
| Final exam | 50% |

- *Homework.* Homework assignments are due at the beginning of the class period. Late submissions will not be accepted. Homework must be neat and legible. You must turn in your own work for homework assignment although you can work together.
- *Exams.* The midterm exam will be an open book exam. Final exam will be scheduled centrally by the University. No substitute exams will be offered. Final exam is closed book and you may not use any electronic wireless receiver/transmitter.
- *Presentations.* Students will form groups to prepare presentations on one of the topics and issues that related to the courses. Each group consists of 5 students or less. Group members work together to write a background paper and slides. Presentation slides are required to be neat and simple, and supplement materials can be included in the background paper and submit with the slides. The group will select one person to present in class and group members can help with answering questions.

Academic honesty

The Chinese University of Hong Kong places very high importance on honesty in academic work submitted by students and has a policy of zero tolerance on academic dishonesty. Details on university policy and regulations on honesty in academic work, and the disciplinary guidelines and procedures applicable to breaches of such policy and regulations can be found at <http://www.cuhk.edu.hk/policy/academichonesty/>.



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Tentative agenda

Week 1: Warm up: globalization and integration, international trade and financial flows, debt crisis, globalization and growth

- Why countries trade with each other?
- Comparative advantage and Ricardian Model of trade
- Reference: K-O-M Chapter 3

Week 2: Common misconceptions in international economics

- What are the effects of China's growth on other countries?
- Comparative advantage and Ricardian Model of trade

Week 3: Trade and welfare with external economies

- What is the rationale for tariff protection of a local industry?
- Sources of external economies. External economies and international trade
- Reference: K-O-M Chap 7

Week 4: Intra-industry trade, imperfect competition, and the gravity model of trade

- Why countries import and export cars at the same time?
- Internal economies of scale
- monopolistic competition and pricing
- Reference: K-O-M Chapter 8

Week 5: Firm level facts on international trade

- Why some firms export, some don't?
- Internal economies of scale

Week 6: Multinationals, FDI and trade

Week 7: Review of international trade flows and theories

Midterm

Week 8: International financial flows, current account deficits and the balance of payments

- Why countries run deficit and surplus?
- References: K-O-M chapter 13, S-U chapter 2 & 3

Week 9: Current account decision



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Week 10: Debt crisis

- References: K-O-M chapter 20 & 22

Week 11: Real exchange rates

- References: K-O-M chapter 16

Week 12: **Review** of international financial flows and debt crisis

Week 13: Students presentations