



## **LNDN BUSN 3374/ECON 3360 International Economics**

### **CAPA LONDON PROGRAM**

#### **Course Description**

The International Economics module provides an understanding of the key economic issues in the global business environment and analyzes the ways in which global businesses are impacted by real world developments in economics, politics and finance. The business environment is dynamic in nature. The course is therefore updated periodically to include current real world evidence as well as recent academic and empirical findings. The five broad topics covered in the course are: Globalization; Country Differences; Cross-Border Trade and Investment (I) Goods and Services and (II) Capital and Labor; the Global Financial Architecture; and Competing in a Global Market Place. An overview of these five topics is provided below.

#### Part I: Globalization

Understanding the historical context of globalization is the starting point for developing insights into the state of globalization today. This topic discusses the drivers and importance of globalization, the emergence of the Bretton Woods global institutions in the post-War period, the state of the globalization debate and the impact of globalization on developed and developing countries.

#### Part II: Country Differences

This topic looks at different economic systems (with an emphasis on capitalism and socialism), reviews the transition from socialist to capitalist economies after the collapse of the Soviet Union, and the challenges faced by countries in managing economic transitions. It examines the key issues in economic development/ transformation and the rise (and stagnation) of both advanced Western economies as well as developing economies in Asia, Latin America, Eastern Europe and Africa. It then proceeds to examine the drivers of wage growth, the relationship between wages and labor productivity, and their national and regional dimensions.

#### Part III: Cross-Border Trade and Investment

##### I: Goods and Services

This topic reviews international trade in goods and services. It first examines the theoretical underpinnings of international trade, providing case studies to illustrate concretely their real-world outcomes. This is followed by an examination into trade pacts such as the European Union, Mercosur, NAFTA and the WTO, an overview of recent developments towards free-trade pacts between Asia-Pacific, Europe and the Americas, and a critical overview of the major trade policies such as infant industry protection.

##### II: Capital and Labor

This topic examines outward foreign direct investment and inward economic migration. It first examines why different countries/ regions show a predilection for one or the other option during their expansionary cycles – Japan and other Asian tigers engage primarily in FDI while European economies have tended to prefer the inward movement of labor. It also examines the theories of firm transnationalization and the costs and benefits of economic migration for home and host economies.

#### Part IV: The Global Financial Architecture

This topic examines how financial systems at both national and international levels impact on commercial activities of firms and the economic structures of nations. It includes a comparative analysis of stock-market-oriented and bank-based national financial systems and their implications for management priorities and firm competitiveness. The regulatory frameworks and multilateral institutions such as Bretton Woods and the IMF/ World Bank, including their operations, management and challenges, will also be discussed. It then proceeds to provide a critical review of the political economy of financial crises, with a detailed focus on the Greek/ Eurozone debt crisis.

#### Part V: Competing in a Global Market Place

The final topic builds upon the understanding gained thus far by reviewing the economic and political risks and opportunities of participating in the global market place: topics include import-export and investment strategies, offshoring production, and management of human resources to compete effectively.

### **Course Aims**

The aim of this course is to help students examine the current economic landscape through topical discussions of current economic and political development and their impact on international economics. As such, the two underlying themes evident throughout the module are the contemporary context and the localized content of the material.

#### Theme I: Contemporary Context

As the business environment is dynamic in nature and is impacted by real world developments in economics, politics and finance, the course coverage is updated periodically to include current real world evidence as well as recent academic and empirical findings. As such, during this semester topics such as Brexit (Britain's exit from the European Union), the Greek Debt Crisis, India's replacement of China as the world's fastest growing economy, the rapid erosion of OPEC's energy power, and the Transpacific Partnership (TPP) will all be examined in detail.

#### Theme II: Localized Content

With its global presence, CAPA offers students the opportunity to enrich their academic experience by exposing and exploring the localized context of the CAPA London Centre. As Britain is the most internationalized major economy and London is the world's leading financial hub, students taking this module will be encouraged to develop and expand their understanding of the UK's integral role in the international economy and global business environment through the inclusion of a British context section in each and every session. As such, during this module students will be exposed to topics such as the commercial rationale behind the UK's controversial political relationships with autocratic Gulf States such as Saudi Arabia, the dramatic collapse of British industry in the 1980s, and the political machinations and economic calculations behind the Labour government's 'immigration-by-stealth' policy in the late 1990s.

### **Requirements and Prerequisites**

Students must have a background in business and have taken an introductory economics course. The course emphasizes this academic area from a global perspective. Students with a high degree of motivation and desire to learn about the international and global aspects of business will benefit from this course.

## Learning Outcomes

After taking this course, students should be able to:

- a. Gain a broad understanding of the key issues in international economics.
- b. Develop an understanding of the political and economic context within which international economics operates.
- c. Apply the various theoretical aspects of the principles of finance and economics in an international context.
- d. Recognize the main economic development issues faced by developing countries in particular the impact of globalization, including growing economic interconnectedness, and their consequences for inter- and intra-national inequalities.
- e. Gain a good working knowledge of the international economic environment and recognize the linkages between political, economic and financial developments and their impact on international business.
- f. Gain a good working knowledge of the operations and key issues surrounding international capital and trade flows, foreign direct investment, international capital markets and institutions.

## Developmental Outcomes

Students should demonstrate: responsibility & accountability, independence & interdependence, goal orientation, self-confidence, resilience, appreciation of differences. Students will also develop the following skills during this course:

- Problem analysis
- Develop good reading habits
- Critical thinking
- Working independently and as part of a team
- Personal reflection

## Class Methodology

This class will be participative and will require students to contribute individually and as part of a team. The course content and delivery will create a framework where students reflect critically on the weekly discussion topics. The students will be expected to devote an hour per day keeping up with the current issues in international finance. (Expected reading sources should include *The Economist*, *Financial Times* and *The New York Times*). The teaching and learning methods will be a blend of the following:

- Lectures
- Reflections & observations
- Readings on current topics
- Class discussions
- Student presentations
- Research paper

## Field Components

CAPA provides the unique opportunity to learn about the city through direct, guided experience. Participation in field activities for this course is required. You will actively explore the Global City in which you are currently living. Furthermore, you will have the chance to collect useful information that will be an invaluable resource for the essays/papers/projects assigned in this course.

### The assigned field component(s) are:

London is the leading financial and economic centre in the global market place. As part of this course, a field trip to the City of London (home to major economic/ financial institutions such as the Bank of England, Lloyds of London, the European Reconstruction and Development Bank) has been organized for Week 13.

Students are also strongly encouraged to participate in **co-curricular** program activities, among which the following are suggested: topical evening talks and lectures at the London School of Economics and Political Science (LSE) and the School of Oriental and African Studies (SOAS), where prominent economists, political leaders and members of civil society present their views on current economic, financial and development events and provide 'real world' insights into the course topics. The

talks and lectures are nearly always open to the public and free but please check each institutions website for full details – [www.lse.ac.uk](http://www.lse.ac.uk) and [www.soas.ac.uk](http://www.soas.ac.uk).

## Mid-Term & Final Exams

The **mid-term exam** consists of MCQs and short questions with open answers and will cover all learning outcomes from week 2 to week 4. It will be 60 minutes long and take place in the second half of week 6.

The **final exam** consists of MCQs and short questions with open answers and will cover all learning outcomes from week 5 to week 10. It will be 90 minutes long and take place in week 14.

## Assessment/Grading Policy

Descriptor	Alpha	UK	US	GPA
Excellent	A	75+	93+	4.0
	A-	70-74	90-92	3.7
Good	B+	66-69	87-89	3.3
	B	63-65	83-86	3.0
	B-	60-62	80-82	2.7
Average	C+	56-59	77-79	2.3
	C	53-55	73-76	2.0
Below Average / Poor	C-	50-52	70-72	1.7
	D+	46-49	67-69	1.3
	D	40-45	60-66	0.7
Fail	F	<40	<60	0

## Grade Breakdown and Assessment of Learning Outcomes

Assessment Task	Grade %	Learning Outcomes	Due Date
<b>Class participation and Field Study Observations</b>	<b>10%</b>	all	Weekly
<b>Development Strategy Oral Presentation</b> 1 X 10 min. individual presentation and Q&A	<b>10%</b>	all	Week 11
<b>Mid-term exam</b> MCQs (10%) Short Questions (10%)	<b>20%</b>	all	Week 6
<b>Development Strategy Research Paper</b>	<b>30%</b>	all	Week 13
<b>Final Exam</b> MCQs (15%) Short Questions (15%)	<b>30%</b>	all	Week 14

## Assignments

Development Strategy Oral Presentation and Research Paper

Each student will be provided with one developing country and asked to draw up a development strategy for the government of that country by utilizing their knowledge of international economics imparted in weeks 2 to 10. In more detail, students are expected to recommend bespoke policies on trade and investment to the relevant government and make suggestions on the

broad direction of the government's strategy in this area. These policies should be feasible in the short—to medium-term although a long-term outlook can be given in the conclusion. It is important that the rationale for making the recommendations is explained clearly and coherently.

Students will make a 5 minute presentation to class (followed by a Q&A) to class two weeks before the research paper is due. The students will be given feedback and will be expected to incorporate this feedback into their final report submissions.

Assessment of the research paper and presentation will be based on three broad criteria: strength of analysis; structure and organization; and clarity, style and presentation.

Please note:

- Research paper status updates will take place in week 5 and week 9. Each student is expected to bring an outline of their work to date and submit it as a hard copy to the lecturer at the beginning of class. Students may be asked to remain after class to discuss with the instructor any issues flagged up by their updates. Students may also voluntarily stay behind after class to discuss with the instructor issues related to their research paper.
- Class presentations: All presentations will be held on the same day: week 11. Students should therefore ensure they are available.
- Students will be able to receive further feedback in week 12.
- Paper submission deadline: week 13.

### **Dress Code**

Business attire should be worn for the presentations.

## **Course Materials**

### **Required Readings:**

#### **Required Textbook**

*Global Business Today*, Hill, Charles W.L., Hernandez-Requejo, William (McGraw Hill, 7<sup>th</sup> Global edition, 2011).

*Global Business Today* will provide relevant preparatory reading before each session. It is fine to use previous editions or online versions of the textbook. You could obtain used copies of the book at substantial discounts through the online marketplace. The book is also available for electronic download through the publisher and will be placed in the CAPA library for reference purposes

#### **Required Articles/ Reports**

A key feature of this module is that it emphasizes international economics of the real world in general and contemporary economic and financial phenomena in particular. As such, rather than rely solely on a textbook, selected readings (usually from the past 18 months) from a wide variety of sources – including investment bank research reports, government findings, business media articles, and think tank briefings – will be posted on Canvas at the end of each session. The purpose of the reading is not to prepare the student for the session but rather to build on knowledge imparted during the lecture.

### **Recommended Reading(s):**

Recommended readings as well as documentaries and films relevant to the topics discussed in the lecture will be uploaded onto Canvas after each session. Independent engagement with the global business media is also encouraged. The Economist, Financial Times and Wall Street Journal all provide robust analyses of contemporary economic, political and financial phenomena. Students should devote one hour daily minimum reading the global business media.

## **Weekly Course Schedule**

GLOBALIZATION

<b>WEEK 1</b>	
<b>Lesson Number / title</b>	<b>1. Course Overview and Introduction to Globalization</b>
Meeting time and Venue	
In-class activity	Introduction, student interests, relevant prior coursework and experience, course map, format, requirements, assessments and overview of globalization and the global economy
Readings	Chapter 1

## COUNTRY DIFFERENCES

<b>WEEK 2</b>	
<b>Lesson Number / title</b>	<b>2. The Political Economy of Economic Systems</b>
Meeting time and Venue	
In-class activity	Capitalism, socialism, determinants of economic development, states and economies in transition and transformation, case study – the economic transformation of Britain.
Readings	Chapters 2-4
<b>WEEK 3</b>	
<b>Lesson Number / title</b>	<b>3. Culture, Wages and Labor Productivity</b>
Meeting time and Venue	
In-class activity	Differences in culture, managing cultural differences from an international business perspective, collective bargaining and wages, wages and labor productivity, case study – changing labor productivity profiles in the G7 economies.
Readings	Chapters 2-4

## CROSS-BORDER TRADE AND INVESTMENT

### PART I: GOODS AND SERVICES

<b>WEEK 4</b>	
<b>Lesson Number / title</b>	<b>4. Theories of International Trade</b>
Meeting time and Venue	
In-class activity	The gravity model and levels of integration, comparative advantage, Heckscher-Ohlin and core-periphery trade, terms of trade and the Prebisch Thesis, case study – the Organization of Petroleum Exporting Countries.
Readings	Chapters 5-6
<b>WEEK 5</b>	
<b>Lesson Number / title</b>	<b>5. Trade Pacts and Policies</b>
Meeting time and Venue	

In-class activity	Trade pacts and regional integration, instruments of trade policy, the case for government intervention, case study – the industrialization of the US economy.
Readings	Chapters 5-6
Assignments	<b>Research Paper Status Update Due in Class as Hard Copy</b>
Notes	150 – 200 words on economy of designated nation

## PART II: CAPITAL AND LABOR

WEEK 6	
Lesson Number / title	<b>6. Foreign Direct Investment</b>
Meeting time and Venue	
In-class activity	International factor movements (IFMs), product life cycles and other theories of firm transnationalization, government policy instruments and impediments to foreign direct investment, case study – European versus Japanese approaches to IFMs.
Readings	Chapters 7-8
Assignments	<b>60 Minute Mid-Term Exam</b>
Notes	MCQs and Short Essay Questions based on Weeks 2-4

## WEEK 7

## BREAK WEEK

WEEK 8	
Lesson Number / title	<b>8. Economic Migration</b>
Meeting time and Venue	
In-class activity	Debating migration, the political economy of migration, the costs and benefits of migration, case study – British immigration policy 1997 – 2010.
Readings	Chapters 7-8

## GLOBAL FINANCIAL ARCHITECTURE

WEEK 9	
Lesson Number / title	<b>9. Financial Systems</b>



Meeting time and Venue	
In-class activity	Stock-market-oriented systems and management priorities, bank-based systems and management priorities, shareholder capitalism versus stakeholder capitalism, case study – the German economic ‘miracle’.
Readings	Chapters 9-10
Assignments	<b><u>Research Paper Status Update Due in Class as Hard Copy</u></b>
Notes	250-500 words outlining and justifying recommended policies
<b>WEEK 10</b>	
<b>Lesson Number / title</b>	<b>10. Financial Crises</b>
Meeting time and Venue	
In-class activity	The global financial institutions, international financial transfers, the political economy of sovereign debt crises, case study – the Greek/ Eurozone debt crisis.
Readings	Chapters 9-10

## COMPETING IN A GLOBAL MARKET PLACE

<b>WEEK 11</b>	
<b>Lesson Number / title</b>	<b>11. Student Presentations</b>
Meeting time and Venue	
In-class activity	Student presentations (may continue to 1.30pm)
Readings	Chapters 11-16
Assignments	<b><u>Student Presentations (5 minutes each)</u></b>
Notes	You must bring a copy of your PowerPoint slides (in the 9 slide horizontal format) to give to the Professor prior to presentation

## FINAL ASSESSMENTS

<b>WEEK 12</b>	
<b>Lesson Number / title</b>	<b>12. Review and Revision</b>
Meeting time and Venue	
In-class activity	Review of presentations and further guidance on research paper
Notes	Each student will be allocated an optional 10 minute slot

<b>WEEK 13</b>	
<b>Lesson Number / title</b>	<b>13. City of London Excursion</b>
Meeting time and Venue	

In-class activity	Meet at CAPA for pre-excursion mini-briefing
Out-of-class activity	Self-guided Tour of the City of London after the briefing
Assignments	<b><u>Research Paper Submitted Online by 9am and Due in Class as Hard Copy</u></b> <b><u>Observations Worksheet Provided</u></b>
Notes	Professor will be available for guidance at designated point in the City

<b>WEEK</b>	<b>14</b>
<b>Lesson Number / title</b>	<b>14. End-of-Module Exam</b>
Meeting time and Venue	
Assignments	<b><u>Observations Worksheet Due in Class as Hard Copy</u></b> <b><u>90 Minute End of Module Exam</u></b>
Notes	MCQs and Short Essay Questions based on Weeks 5-10

## Attendance, Participation & Student Responsibilities

**Attendance:** CAPA has a mandatory attendance policy. Attendance is taken at the beginning of every class. Unauthorized absence from class will result in a reduction of the final grade and potentially a failure for the course.

**Missing classes for medical reasons:** If you need to miss a class for medical reasons or for a family emergency, **you must send an e-mail** to let the academic affairs team know at least one hour in advance of your class or meeting at the following e-mail: [excused.absence@capa.org](mailto:excused.absence@capa.org). Note that calling the CAPA Centre (0207 370 7389) is acceptable only if you do not temporarily have access to the internet. An e-mail is still required as quickly as you can get access to the internet again. You will need to provide evidence of the reason for your absence. Unexcused absences will result in a grade reduction. In the event of a missed class or field trip, it is your responsibility to contact your instructor and make up any missed assignments.

**Class Participation:** Students are expected to participate actively and critically in class discussions, and the participation portion of the class will be graded accordingly. Students must read assignments BEFORE the class, and come in on time. Participation is a vital part of your grade: students are expected to participate orally in seminars and in online forums and discussions in a critical and evaluative manner; to interact with the faculty and fellow students with respect and tolerance; and to actively engage in discussion. Derogatory or inflammatory comments about the cultures, perspectives or attitudes of others in the class will not be tolerated.

**Academic Integrity:** A high level of responsibility and academic honesty is expected. Because the value of an academic course depends upon the absolute integrity of the work done by the student, it is imperative that a student demonstrates a high standard of individual honor in his or her scholastic work and class behavior. Plagiarism and cheating will result in dismissal from the program. See the Handbook of CAPA Academic Policies for more information and resources on plagiarism.

**Use of electronic equipment in class:** All devices such as laptops, i-pods, i-pads, netbooks, notebooks and tablets, smartphones, cell phones, etc. are **NOT** allowed unless you have express permission from the faculty or you have been instructed to do so. If you require an accommodation to use any type of electronic equipment, inform the Associate Director of Academic Affairs at the beginning of Term.

**Use of Electronic Translators:** In Language courses students are NOT allowed to use electronic translators for writing texts in the target language: those submitting compositions and texts of whatever kind translated in such a fashion will receive a final F grade for the course.

**Late Submission:** Late submission of papers, projects, journal entries, pieces of homework and portfolios is only permitted with prior approval. A request must be made to the relevant Faculty member no later than two days prior to the due date. Late submission without prior approval will result in a full alpha grade penalty. In either case, work cannot be submitted after feedback has been provided to the rest of the class on the relevant assessment or one week after the due date whichever comes first, after which point a grade of F will be given for the assessment.

**Behaviour during Examinations:** During examinations, you must do your own work. Unless specifically instructed by the lecturer or instructor, talking during an exam is not permitted, nor may you compare papers, copy from others, or collaborate in any

way. Any failure to abide by examination rules will result in failure of the exam, and may lead to failure of the course and disciplinary action.