

<b>International Trade and Economic Development</b>				
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<b>Modulnummer</b>	<b>Workload</b>	<b>Credits</b>	<b>Häufigkeit des Angebots</b>	<b>Dauer</b>
<b>32721</b>	300 h	10	jedes Semester	1 Semester
<b>1</b>	<b>Lehrveranstaltungen</b>			
	<b>Kurs-Nr.</b>	<b>Kurs-Titel</b>	<b>Workload</b>	
	42210	„International Trade and Economic Development“	300h	
<b>2</b>	<b>Lernergebnisse (learning outcomes) / Kompetenzen</b>			
	<p>The main goal of this course is to study the interaction between globalization and economic growth. Issues that are relevant in an developing economics context are discussed based upon the more common approaches that can be applied to both developed and developing countries. Those frameworks enable us to develop a deeper understanding of the interdependency between developing and developed countries when goods and factor markets are integrated.</p> <p>Notice that many of the models discussed in this lecture may be familiar to you from your Bachelor studies. For instance the Solow model of economic growth, which is the only chapter that does not deal with international trade, or the canonical trade models are discussed in other modules as well. However, we will go into much more detail and we will blend the models of international trade with the workhorse growth model. A sound knowledge of the contents of the previous material is an advantage but is not a prerequisite. All models are discussed from scratch and the necessary mathematical and econometric tools are clearly explained. The different models are motivated using some stylized facts when appropriate.</p>			
<b>3</b>	<b>Inhalte</b>			
	<p>A natural starting point for an analysis of economic development must be a chapter on economic growth. The first section of this course provides a rigorous theoretical treatment of the Solow model and a discussion of related empirical growth studies. First, we tackle the question, "Why do countries grow?" Capital formation is one potential source of economic growth but growth potential is limited without technological change. The intuition is straightforward although we provide a more in-depth treatment based on the advanced textbook on economic growth by Acemoglu (2008). Equipped with the insights derived from the model, we analyze the question "Why have some nations failed?" For example, some countries have demonstrated the sustained economic growth through technological change. It is therefore puzzling that other countries remain stuck at low levels of per capita GDP and exhibit no growth whatsoever. We dedicate one sub-chapter to this issue based on the discussion summarized in Acemoglu (2008). The prominent answer given in the established literature has its foundation in the existence of institutions that provide a safe environment for entrepreneurs to invest. The absence of such an environment may very well render capital formation inefficient resulting in low rates of economic growth.</p> <p>Another pillar of economic development is trade in goods and factor inputs. The canonical trade models studied in this course are able to rationalize international linkages between developed and developing countries based on technology or endowment differences. Countries specialize in particular industries where they produce with lower opportunity costs. The idea of a comparative cost advantage, which determines international trade patterns, depends on country-specific differences in observable characteristics such as technology (Ricardo) or factor endowments (Heckscher Ohlin). More recent models focus on intra-industry trade but the idea that comparative advantage matters appears to be more plausible in the context of developing economies. For example, countries tend to export goods produced in sectors where they have a relative cost advantage compared to the rest of the world whereas goods that can be purchased cheaper on the world market relative to domestically should be imported. However, these classical trade theories are not able to explain why similar countries import and export goods produced in the same industry. This point is less of an issue if we are interested in trade between developed and developing countries, where specialization in particular industries is evident in the data.</p>			

Besides growth and trade, the other face of globalization is international migration, which constitutes the subject of the last chapter of the course. Indeed, migration movements represent a recurrent pattern from developing to developed countries. Moreover, the “loss” of individuals due to migration away from developing countries has been a crucial topic both for the academic and policy debates. Hence, the aim of this chapter is to provide an overview of the international migration movements and the interrelated Brain Drain phenomenon. Specifically, we will answer the following question: “Why do people migrate?” In doing so, we will review the theoretical frameworks that look to provide explanations behind the individual migration decision (that is, at the micro level). We then proceed by answering the same question from the aggregate perspective, analyzing the determinants of the migration patterns at the macro level and presenting associated empirical evidence. Not all individuals from a given population have the same propensity to migrate. Thus, we will inquire about who chooses to migrate, stressing the importance of the issue of the immigrants’ “selectivity” for the study of migration.

The following chapter discusses models that nest both trade and capital formation. These extensions of the Solow growth model include versions with migration, foreign direct investment or trade in goods. The canonical trade models will be blended with the workhorse model in the growth literature in order to understand the interaction of both. Under autarky, the only way to build up a substantial capital stock is through investment. Households face a trade-off between consumption and savings that can be used for capital formation. Moreover, due to diminishing returns to capital and labor, factor income depends solely upon factors' marginal productivity. Once we open those economic growth models to international trade in goods and factors, i.e. migration and foreign direct investments, the pattern of economic growth is substantially different. We have to take the evolution of world prices into consideration, which produces outcomes that are not so straightforward as is the case in more 'basic' frameworks. For example, taking into account the effects of trade on economic growth in developing economies has important repercussions on some of the most important objectives of governments policy. The last part of the chapter is dedicated to the Brain Drain, where we will show the most recent theoretical framework on the effects of the Brain Drain for the growth of the developing country.

Structure of the course:

1. Introduction
2. Economic Growth
  - 2.1 The Solow model of economic growth
  - 2.2 Population growth in the Solow model
  - 2.3 Economic growth and technological change
  - 2.4 Human Capital in the Solow model
  - 2.5 Empirical application on institutions and growth
3. Canonical Trade Models
  - 3.1 The Ricardo model
  - 3.2 The Heckscher-Ohlin model
  - 3.3 FDI and outsourcing in a multi-industry framework
  - 3.4 Migration in the Heckscher Ohlin model
4. International migration
  - 4.1 International migration
  - 4.2 Why do people migrate?
  - 4.3 Who migrates?
  - 4.4 The effects of immigration on the host country
5. Trade and growth
  - 5.1 Economic growth in open economy models
  - 5.2 The brain drain

#### **4 Lehrformen**

Fernstudium

<b>5</b>	<b>Teilnahmevoraussetzungen</b> Die Voraussetzung für die Teilnahme richtet sich nach der Prüfungsordnung des jeweiligen Studiengangs. Lehre und Prüfung erfolgen in englischer Sprache, entsprechende Sprachkenntnisse sind zwingend notwendig. Darüber hinaus ist das Studium des Moduls an keine speziellen Voraussetzungen geknüpft.
<b>6</b>	<b>Prüfungsformen</b> Zweistündige Abschlussklausur. Die Abschlussklausur wird in englischer Sprache gestellt, sie kann in englischer oder deutscher Sprache bearbeitet werden.
<b>7</b>	<b>Voraussetzungen für die Vergabe von Kreditpunkten</b> Voraussetzung für die Vergabe von Leistungspunkten ist die erfolgreiche Teilnahme an der Prüfungsklausur. Voraussetzung für die Teilnahme an der Prüfungsklausur ist das Bestehen mindestens einer von zwei Einsendeaufgaben. Die Einsendearbeiten werden in englischer Sprache gestellt, sie können in englischer oder deutscher Sprache bearbeitet werden.
<b>8</b>	<b>Verwendung des Moduls</b> Masterstudiengang Wirtschaftswissenschaft Masterstudiengang Volkswirtschaft Akademiestudiengänge und Weiterbildung
<b>9</b>	<b>Stellenwert der Note für die Endnote</b> Gemäß Prüfungsordnung des jeweiligen Studienganges.
<b>10</b>	<b>Modulbeauftragte/r und hauptamtlich Lehrende</b> Univ.-Prof. Dr. Hans-Jörg Schmerer
<b>11</b>	<b>Sonstige Informationen</b> Zusätzliche Lernmaterialien werden online zur Verfügung gestellt. Weitere Informationen werden auf der Seite des Lehrstuhls veröffentlicht.