The 1st European Conference on Teaching and Learning Politics, International Relations and European Studies

Maastricht, 26-27 June 2014

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The Balance of Payments Accounts: A Problem-Based Learning Approach

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The 1st European Conference on Teaching and Learning Politics, IR and European Studies
Teaching Politics and International Relations to the Next Generation of Students
Jointly organized by BISA, ECPR, PSA and UACES
Maastricht, 26-27 June 2014
» Balance-of-payments accounts are the fundamental record-keeping framework for international economic transactions both in goods and services and financial markets

» Essential for organizing understanding of international economics and finance for students of economics and business, political science and international relations, and political economy

» Problem-based learning exercises developed for course on *EU-US Economics Relations: Trade, Investment and Competition Policies* taught in the MA degree program in European Union Studies at the University of Illinois

Outline

» Contemporary articles from *The Economist* and the *Financial Times*
From the
Financial Times
9-17 June 2014
Examples
Hard sell

A year ago they were hailed as a "fire up" economics on both sides of the Atlantic. But today the EU-US trade talks are facing a growing number of political obstacles.

By Shawn Donnan

The US and the European Union are a trillion-dollar market for trade and investment. Economists have hailed them as the "natural partners" of global commerce, because of their similarity and proximity.

In the US, the US National Security Agency has been accused of wiretapping German Chancellor Angela Merkel's mobile phone, and its methods have made it suspicious to some European governments.

Both sides have agreed to put off a hard negotiation front until autumn, when the US has midterm elections, and the EU is likely to have elections in May 2015.

But there are concerns about timing, especially with the US and EU electorates so close to the polls. Business groups are also concerned about the possibility of US voters taking off the table a "friend of Europe" or "above the law" argument in the US election campaign.

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Rivals jostle for king’s crown

News analysis
Bill Gross’s Pimco fund hit by wrong call on rates, writes Michael Mackenzie

Jeffrey Gundlach, founder of rival Pimco’s world-beating $US2.2 trillion fund, has subtlety for investors; his comments concern his recent comments on the history of the group.

He’s been the market’s看多者 since mid-April, when he said central banks were running on empty and that their policies would not help the world economy. But amid concerns that a market sell-off has ended, and that early rate rises will impact stock markets, investors have started to look at other options.

It has been a challenging year for Pimco, which has seen its flagship fund lose nearly $US20 billion in June alone. The fund’s performance has been at the mercy of changing market conditions, and its strategy of betting on corporate debt has not worked as well as expected.

Gundlach has come under fire for his recent comments, which many see as dovish. But his comments have also been seen as a warning to other fund managers, who may be too optimistic about the economy.

The fund’s recent performance has been disappointing, and investors have started to look for alternatives. The question is: what can investors do to protect their portfolios in the face of a potential market correction?

In the face of the Pimco mess, the bond-manager’s flagship fund has lost share the dollar’s share.

US government bonds
10-year US bond yields (%)

<table>
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<tr>
<th>Tenor</th>
<th>Yield</th>
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<tr>
<td>June 14</td>
<td>2.18</td>
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<td>June 15</td>
<td>2.28</td>
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Gross’s Pimco fund

Market report

Sterling nears five-year high on prospect of early rate rise

By Deimos Strates and Dave Knopfler

Sterling rose to within eight pence of a five-year high against the dollar and hit an intra-day peak, as investors digested pound sterling. The currency has been supported by the Bank of England’s recent comments, which indicated that the BOE may keep interest rates at a record low for longer.

Sterling’s recent strength has been driven by expectations of an early rate rise from the Bank of England. The BOE has been under pressure from the government to raise rates, but the bank has been reluctant to do so due to concerns about the impact on the economy.

The pound has been buoyed by the fact that the BOE has not raised rates in recent months, and that the UK economy is showing signs of recovery. The currency has also benefited from the pound’s recent strength against the euro, which has helped to push the pound higher against the dollar.

The BOE’s comments have added to the pressure on sterling, and the currency has been trading at a level not seen since 2008. The pound is currently trading at around 1.40 against the dollar, and is up from the 1.30 level that it was trading at earlier this year.

The BOE’s comments have also been seen as a sign that the bank remains committed to supporting the UK economy, and that it is willing to take action to keep the country on track. The BOE’s comments have also been seen as a sign that the bank is willing to take action to keep the country on track.

Oil prices see some gains

By Ariadn Rade, oil and gas correspondent

The price of Brent crude oil posted its first weekly gain since July on Wednesday, as the military conflict in Iraq continued to support prices. The oil price has been buoyed by the fact that a number of OPEC members have reduced their output, which has helped to support the price.

The price of Brent crude oil hit a nine-month high of $US116.50 per barrel on Wednesday, as the military conflict in Iraq continued to support prices. The oil price has been buoyed by the fact that a number of OPEC members have reduced their output, which has helped to support the price.

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How Paris repelled GE from Alstom

News analysis

Meatloaf deal highlights pressure for more mergers in an ailing sector, write FT reporters

Insurance companies are looking more consensually at potential spin-offs, saying they would be interested in buying Corinna in a bid to take advantage of the pressure on the industry to become more cost-effective and reduce costs.

The deal was the latest example of a US company acquiring a European competitor, and the trend is set to continue, especially as the European Commission has approved dual listings in the sector.

However, bankers and tax experts warn that the deal could put a dampener on future M&A activity as it is unclear how much the deal will cost.

The deal also comes as a reminder of the challenges facing the industry, with a number of large companies, including Siemens, struggling to find a suitable buyer.

The Freedom Act, which gives the US government the ability to block foreign acquisitions of US companies, has not been used in recent years, but it could be used again in the future.

The government, which has repeatedly threatened to use the Act in the past, has been cautious about using it to block foreign acquisitions.

However, the deal could also be seen as a sign of growing pressure on the US government to take action to protect US companies from foreign acquisitions.

The US government has been under pressure to do more to protect US companies from foreign acquisitions, especially those involving sensitive technologies.

The deal also comes amid growing concerns about the US government's ability to protect sensitive technologies from foreign acquisitions.

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» United States: Bureau of Economic Analysis, United State Department of Commerce
http://www.bea.gov/iTable/index_ita.cfm

» European Union: EuroStat, European Commission

» Developed Countries: Organization for Economic Cooperation and Development (OECD)
» International Monetary Fund (IMF)

» World Bank
  > Current Account Balance
   http://data.worldbank.org/indicator/BN.CAB.XOKA.CD
  > Foreign Direct Investment
   http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD
World Trade Organization (WTO) Trade Statistics
http://www.wto.org/english/res_e/statis_e/statis_bis_e.htm?solution=WTO&path=/Dashboards/MAPS&file=Map.wcdf&bookmarkState=%7B%22impl%22:%22client%22,%22params%22:%7B%22langParam%22:%22en%22%7D%7D

United Nations Conference on Trade and Development (UNCTD) Foreign Direct Investment Statistics
OECD Data on Bilateral Trade

Example: American (CAT88 Aircraft, spacecraft, and parts thereof)

American (aircraft spacecraft and parts) Bilateral Trade in US$.xml
American Bilateral Trade – All Commodities
  > Aerospace
  > Beverages
  > Cereals
  > Tobacco
  > Vehicles

Excel Workbook
Bilateral Trade

» Dutch Bilateral Trade
» French Bilateral Trade
» German Bilateral Trade
These problem-based learning exercises focus on using proven active-learning strategies in a computerized and Internet environment to meet student expectations and comparative advantages in technology-focused learning.

The project utilizes computer software and Internet resources to conduct statistical analysis and build critical thinking skills. These enhanced quantitative skills are in demand for data-driven decision making.

Students are motivated when they see direct linkages among methodological tools, measurement, and policy-relevant analysis.

Teaching should excite students when they see the potential for developing substantive arguments based upon careful analysis. Political action promoting good policies needs to be shown as being solidly grounded in logical and rigorous background work aimed at understanding and documenting casual relationships. Research should inform policy design!

Conclusions