

AFRICAN ECONOMIC RESEARCH CONSORTIUM
COLLABORATIVE MASTERS DEGREE PROGRAMME
(CMAP) IN ECONOMICS FOR SUB-SAHARAN AFRICA
(EXCEPT NIGERIA)

JOINT FACILITY FOR ELECTIVES



INTERNATIONAL ECONOMICS

COURSE OUTLINE

(Revised: February, 2017)

TOPICS TO BE COVERED

SEMESTER I: INTERNATIONAL TRADE

I. Perfect Competition Models of Trade	18 Hours
II. New Trade Theories	10 Hours
III. International Trade Policy	17 Hours
IV. Trade Policy and Economic Development	<u>15 Hours</u>
Total	60 Hours

SEMESTER II: INTERNATIONAL FINANCE

V. Foreign Exchange Markets and International Parity Conditions	5 Hours
VI. Models of Balance of Payments Adjustment	16 Hours
VII. Theories and Models of Exchange Rate Determination	16 Hours
VIII. Open Economy Macroeconomics - Fiscal and Monetary Policy under Different Exchange Rate Regimes	10 Hours
IX. International Payments System	6 Hours
X. International Capital Movements	<u>7 Hours</u>
Total	60 Hours

1. Introduction

The course comprises two parts: Part I (Semester 1) covers International Trade; and Part II (Semester 2) covers International Finance.

2. Course Objectives

This course is aimed at providing students with an in-depth analysis of international economics by relating the topics to the conditions in Africa. The course has the following objectives:

- Acquaint the students with analytical tools that economists use to analyze international economic interactions.
- Apply theories to Africa and other developing countries.
- Familiarize the students with important facts on the global economy and international economic institutions.

3. Pre-requisites

The pre-requisites for this course are the core courses: Microeconomics, Macroeconomics and Quantitative Methods.

4. Course Assessment

In each semester, students will be assessed based on:

- Continuous assessment consisting of at least one in-class test (20%), and take home assignment (group assignment and presentation) (20%).
- A final written examination accounting for 60% of the overall course grade.

5. SEMESTER I: INTERNATIONAL TRADE (60 HOURS)

5.1 READINGS

Basic References

- Markusen, James R., J.R. Melvin, William H. Kaempfer and Maskus (1995), *International Trade: Theory and Evidence*. New York: McGraw Hill.
<http://spot.colorado.edu/~markusen/textbook.html>
- Bowen, H.P., A. Hollander, & J. Viaene (2012), *Applied International Trade Analysis*, 2nd Edition, London, Macmillan Ltd.

Supplementary References

- Appleyard, D.R., Fields, A.J. and Steven Cobb (2010), *International Economics 8th Edition*, McGraw - Hill.
- Feenstra, R. and Taylor, A.M. (2017) *International Economics*, 4th edition. Macmillan.
- Feenstra, Robert C (2016), *Advanced International Trade: Theory and Evidence* Princeton University Press.
- Gandolfo, Giancarlo (2014), *International Trade Theory and Policy* Berlin, Springer-Verlag.
- Greenaway, D. (1996), *Current issues in International Trade*. Macmillan, London.
- Greenaway, D. and Milner, C.R. (1993), *Trade and Industrial Policy in Developing Countries*, Macmillan, London.
- Greenaway, D., Falvey, R., Kreickemeier, J., and Bernhofen, D. (2013) Palgrave Handbook of International Trade. Macmillan.
- Greenaway, D. and Winters, L.A. (1995), *Surveys in International Trade*. Blackwell, Oxford.
- Helpman, E. and Krugman, P. (1985), *Market Structure and Foreign Trade*, MIT Press, Cambridge MA.
- Khan, M.S. and Iqbal, Z. (1997), (Eds.) *Trade Reform and Regional Integration in Africa*, IMF Institute, Washington, DC.
- Leamer, E. and Levinsohn, J. (1995), "International Trade Theory: the Evidence," In Grossman and Rogoff (eds.), *Handbook of International Economics*, vol. 3. Netherlands: Elsevier.
- Oyejide, T.A. (1996), *Regional Integration and Trade Liberalisation in Sub-Saharan Africa*. AERC Special Paper number 28.
- Oyejide, T.A., Benno Ndulu and David Greenaway (1999), *Regional Integration and Trade Liberalisation in Sub-Saharan Africa*. Vols. 1-4 London, Macmillan.
- Vousden. N. (1990), *The Economics of Trade Protection*. CUP, Cambridge.

General Introductory Texts

- Caves, Frankel R.E., Jeffrey A. and Ronald W. Jones (2017), *World Trade and Payments: An Introduction*, 10th Edition, London: Addison-Wesley (forthcoming).
- Husted, S. And Melvin, M. (2013), *International Economics*, 9th edition, Pearson.
- Krugman, Paul and Maurice Obstfeld (2015), *International Economics: Theory and Policy*, 10th edition Pearson Education.
- Pugel, Thomas (2015), *International Economics*, 16th edition, MacGraw-Hill.
- Salvatore, Dominick (2012), *International Economics: Trade and Finance*, 10th edition, International

Version, Wiley.

Sodersten, B. and Reed, G.V. (1995), *International Economics*, Macmillan, London.

Yarbrough, B.V. and Yarbrough, R.M. (1988), *The World Economy: Trade and Finance*, The Dryden Press.

Major Website Resources

- (a) Joint World Bank and International Monetary Fund External Libraries (JOLIS)
<http://jolis.worldbankimflib.org/external.htm>
- (b) WEbEC WWW-Resources in Economics
<http://wwhelsinki.fi/WebEc/WebEc.html>
- (c) Social Science Research Network eLibrary,
<http://ww.ssrn.com/>
- (d) Eldis Trade Policy Resource Guide
<http://www.eldis.org/trade/index.htm>
- (e) SMART MODELS (UNCTAD)
- (f) Gravity Database
(<http://www.cepii.fr/>)
- (g) Direction of Trade Statistics (IMF)

5.2 COURSE OUTLINE

I. Perfect Competition Models of Trade (18 hours)

1.1 Mercantilist and Classical Models of Trade

1.2 Neoclassical Models

• HOS Model of Trade:

- HO Theorem

- Factor Price Equalization Theorem

- Stolper-Samuelson Theorem

- The Rybczynski Theorem

• Specific Factors and Trade (1x2x3) Model

1.3 Empirical Evidence & Applications to Africa.

Basic References

Bowen, Hollander & Viaene (2012), Ch. 3 and 4.

Markusen, Melvin, Kaempfer & Maskus (1995), Ch.8 & 9.

Supplementary References

Greenaway, D., Falvey, R., Kreickemeier, J., and Bernhofen, D. (Eds) (2013) *Palgrave Handbook of International Trade*. Macmillan

- Bernhofen, D.M. and J.C. Brown (2004), "A Direct Test of the Theory of Comparative Advantage: The Case of Japan," *Journal of Political Economy* 112, pp. 48-67.
- Do, Q. and A. Levchenko (2007), "Comparative Advantage, Demand for External Finance, and Financial Development," *Journal of Financial Economics*, 86(3), pp. 796-834.
- Greenaway, D. and Winters, L.A. (1995), *Surveys in International Trade*. Blackwell, Oxford.
- Leamer, E. and Levinsohn, J. (1995), International Trade Theory: the Evidence in Grossman and Rogoff (Eds.), *Handbook of International Economics*, vol. 3. Netherlands: Elsevier.
- Vousden. N. (1990), *The Economics of Trade Protection*, CUP, Cambridge.
- Wood, A and J. Mayer (2001), "Africa's Export Structure in a Comparative Perspective." *Cambridge Journal of Economics*, 5 (3) pp. 369-394.

II. New Trade Theories (10 hours)

- 2.1 Imperfect Competition Models of Trade and Increasing Returns to Scale
- 2.2 Tastes, Per capita Income and Technological Change
- Taste Differences and International Trade
 - Linder Hypothesis
 - Intra-Industry Trade
 - Product Cycle
 - Technology Gap
 - Taste Similarities
 - Neo-factor Proportions Theory
- 2.3 Gravity Model (Including Geographical Models)
- 2.4 Empirical Evidence & Applications to Africa

Basic References

- Bowen, Hollander & Viaene (2012), Ch. 8.
- Markusen, Melvin, Kaempfer & Maskus (1995), Ch. 11, 12, 13 and 14.

Supplementary References

- Anderson, J.C. (2011) "The gravity model." *Annual Review of Economics*, Annual Reviews, volume 3(1), 133-160 (Also NBER WP 16576 of 2010).
- Anderson, J. and E. van Wincoop (2003), "Gravity with Gravitas: A Solution to the Border Puzzle," *American Economic Review*, 93(1), pp. 170-192.
- Balassa, B.(1986), "Intra-Industry trade among exporters of manufactured goods" in Greenaway, D. and Tharaka, P.K. (Eds.) *Imperfect competition and International Trade*, pp. 108-28.
- Bhagwati, J.N., Panagariya, A and Srinivasan, T.N. (1998), *Lectures on International Trade*, 2nd edition.
- Caves, R.E. (1981), "Intra-industry Trade and Market Structure in the Industrial Countries," *Oxford Economic Papers* 33, pp. 203-223.
- Cheng, L. (1984), "International Competition in R. & D. and Technological Leadership: An Examination of the Posner-Hufbauer Hypothesis," *Journal of International Economics* 17, pp. 15-40.
- Didia, D., Nica, M. & Yu, G. (2015) "The gravity model, African growth and opportunity Act (AGOA), and US trade relations with Sub-Saharan Africa." *The Journal of International Trade and Economic Development*, volume 24 (8), 1130-1151.
- Greenaway, D. and Milner, C.R. (1986), *The Economics of Intra-Industry Trade*, Basil Blackwell, Oxford.

- Hallack, J.C. (2010) "A product Quality View of the Linder hypothesis". *The Review of Economics and Statistics*, volume 92(3), 453-466. (NBER Working Paper 12712).
- Helpman, E. (1984), "Increasing Returns, Imperfect Markets, and Trade Theory," in Jones, R.W. and Kenen, P.B. (Eds.) *Handbook of International Economics*, Vol. 1, Ch. 7.
- Hummels, David and James Levinsohn (1995), "Monopolistic Competition and International Trade: Reinterpreting the Evidence," *Quarterly Journal of Economics*, 110, 799-836.
- Kierzkowski, H. (Ed.) (1984), *Monopolistic Competition in International Trade*, Oxford University Press, Oxford.
- Krugman, P. (1991) "Increasing returns and Economic Geography", *Journal of Political Economy*, volume 99(3), 483-499.
- Lall, J (2000), "Technological structure and performance of developing country manufactured exports, 1995 – 1998," *Oxford Development studies*, 28 (3-4), pp. 333 -335.
- Lall, S.,J. Weiss and J.Zhang (2006), "The sophistication of exports: A new trade measure," *World Development*, 34 (2), pp. 222 – 237.
- Melitz, M. J. (2003), "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," *Econometrica*, 71(6), pp. 1695-1725.
- Musonda, F., (1997), "Intra-Industry Trade Between Members of the PTA/COMESA Regional Trading Arrangement of East, Central and Southern Africa," *AERC Publications*.
- Tharakan, P.K.M. (Ed.) (1983), *Intra-Industry Trade: Empirical and Methodological Aspects*, North-Holland, Amsterdam.

III. International Trade Policy (17 hours)

- 3.1 Instruments of Intervention, their Effects and Measurement
 - Tariff and Non-Tariff Barriers
- 3.2 Strategic Trade Policy
- 3.3 Political Economy of Trade Policy
- 3.4 Economic Integration
 - Prospects of Regional Integration in Africa
 - Constraints, Conflicts, and Challenges of Regional Integration in Africa
- 3.5 International Trade Institutions and Agreements
 - GATT, WTO, UNCTAD, EPAs (Including Issues in Globalization)
 - GATS, TRIPS.
- 3.6 Empirical Evidence & Applications to Africa

Basic References

- Bowen, Hollander & Viaene (2012), Ch. 5 and 12.
- Markusen, Melvin, Kaempfer & Maskus (1995), Ch. 15, 16, 17, 18, 19 and 20.
- Vousden (1990), Ch. 2, 4, 5, and 8.
- Oyejide *et al.* (1996), Vol. 1.

Supplementary References

- Alemayehu G. And Haile Kibret (2002), "Regional Economic Integration in Africa: a Review of Problems and Prospects with a Case Study of COMESA", *SOAS Dept of Economics Working Paper No 125*. (<http://www2.soas.ac.uk/economics/workpap/wokpa.htm>).

- Brander, J. A. (1995), Strategic Trade Policy in G.M. Grossman and K. Rogoff eds. *Handbook of International Economics* vol. III Amsterdam: North-Holland Elsevier, pp. 1395-1455.
- Buigut, S. & Valev, N. (2009) "Benefits from mutual restraint in a multilateral monetary union", *World Development*, volume 37(3), 585-594.
- Buigut, S. (2016) "Trade effects of the east African Community Customs Union: Hype versus Reality." *South African Journal of Economics*, volume 84(3), 422- 439.
- Carrere, C. (2006) "Revisiting the effects of regional trade flows with proper specification of the gravity model," *European Economic Review*, 50, 223-247.
- Casto, Lucio, Kraus Christiane and Manuel de la Rocha (2004), "Regional Trade Integration in East Africa: Trade and Revenue Impacts of the Planned East African Community Customs Union." *World Bank Africa Region Working Paper Series*, No 72.
- Elbadawi I. (1997), "The Impact of Regional Trade and Monetary Scheme on Intra Sub-Saharan African Trade", in A. Oyejide, et al. (Eds.) *Regional Integration and Trade Liberalisation in Sub Saharan Africa, Vol 1: Framework, Issues and Methodological Perspectives*. London: Macmillan.
- Foroutan, Faezeh and Lant Pritchett (1993), "Intra Sub-Saharan Trade: Is it Too Little?" *Journal of African Economies*, 2(1), pp. 74-105.
- Goldstein, Andrea, and Ndung'u, Njuguna (2001), "Regional Integration Experience in the Eastern African Region." *OECD Development Centre Technical Papers*, 171.
- Hansohm D. and et al. (2001-2004), "Monitoring Regional Integration in Southern Africa," *Year Book Vol. 1-4*. NEPRU, Windhoek, Namibia.
- Hoekman, B and Kosteci M. (2001), *The Political Economy of the World Trading System: The WTO and Beyond, 2nd edition*, New York, Oxford University Press.
- Hoekman, B., Mattoo A. And English P. (Eds.) (2002), *Development, Trade and the WTO: A Handbook*, World Bank, Washington D.C.
- Krugman, P.R. & A.J. Venables (1995), "Globalization and the Inequality of Nations", *Quarterly Journal of Economics* Vol, 110, pp. 881-908
- Langhammer, R.J. (1992), "The Developing Countries and Regionalism," *Journal of Common Market Studies* 30, pp. 211-31.
- M'Bet, A. and M. Niamkey (1997), "European Economic Integration and the Franc Zone: Part II. *AERC Research Paper* 53.
- M'Bet, A. and M. Niamkey, (1993), "European Economic Integration and the franc Zone: the future of the CFA franc after 1996," *AERC Research Paper* 19.
- Melo, J.D. & Tsikata, Y. (2014) Regional integration in Africa: Challenges and prospects. World Institute for Development Economics Research. UNI-WIDER.
- Musila, J.W. (2005) "The Intensity of trade Creation and Trade Diversion in COMESA, ECCAS and ECOWAS: A Comparative Analysis," *Journal of African Economies*, 14(1), 117-141.
- Ogunkola, E.O. (1998), "An Empirical Evaluation of Trade Potential in the Economic Community of West African States. *AERC Research Paper* 84.
- Onogwu, G.O. and Arene, C.J. (nd) Impact of ECOWAS/EU Economic partnership Agreements on Intra-ECOWAS trade: An Empirical Analysis of Trade. *AERC RP* 315.
- Rodriguez F. And Rodrik D. (2001), "Trade Policy and Economic Growth: A skeptic's Guide to the Cross-National Evidence", *Macroeconomics, Annual 2000*, (eds) Benanke B. And Rogoff K., MIT Press for NBER, Cambridge, MA.
- Rodrik, D. (1988), "Imperfect Competition, Scale Economies and Trade Policy in Developing Countries", in R.E. Baldwin (Ed.) *Trade Policy Issues and Empirical Analysis*, Chicago and London University of Chicago Press, pp. 109-143.
- Rodrik, D. (1995), "Political Economy of Trade Policy", Ch. 28 in *Handbook of International Economics*, Vol. 3, North Holland.
- Rojid, S. (2006) "COMESA trade potential: A Graity of Approach", *Applied Economic Letters*, volume 13, 947-951.

- Rose Andrew K. (2004), "Do We Really Know That the WTO Increases Trade?" *American Economic Review* Vol. 94(1), pp. 98-114.
- Silva, J.S. & Silvana, T. (2006) "The log of Gravity," *Review of Economics and Statistics*, volume 88(4), 641-658.
- Vinesh, S.R., Seetanah, B. & Tandrayen, V. (2015) Modelling Trade Flows between Three Southern and Eastern African Regional Trade Agreements: A case Study. AERC RP 286.
- Wei Shang-Jin and Subramanian A. (2003), "The WTO Promotes Trade Strongly But Unevenly," *NBER Working Paper* No. 10024.

IV. Trade Policy and Economic Development (15 hours)

- 4.1 Trade, Growth and Poverty
- 4.2 Trade Strategy and Industrialization
- 4.3 Trade Reforms and Adjustment
- 4.4 Structure of African Trade
 - Trade with Asia (China & India)
 - Trade with the West
 - Intra-Africa Trade
- 4.5 Trade and Climate Change
- 4.6 Aid for Trade
- 4.7 Empirical Issues of Trade in Africa

Basic References

- Bhasin, V. K. (2011) Trade Liberalisation Financing and its impact on Poverty and Income Distribution in Ghana. AERC RP 234.
- Dollar, D. and Kraay, A. (2001a) "Growth is Good for the Poor." World Bank Research Department Working paper number 2587.
- Dollar, D. and Kraay, A. (2001b) "Trade, Growth and Poverty." World Bank Research Department Working paper number 2587.
- OECD/WTO (2015) "Aid for Trade at a Glance 2015: reducing trade costs for inclusive, sustainable growth." OECD Publishing, Paris.
- Rodriguez, F. and D. Rodrik (2000), "Trade Policy and Economic Growth: A Sceptic's Guide to the Cross-National Evidence," *NBER Macroeconomics Annual*.
- Rodrik, D. (1999), "Trade Policy and Economic Performance in Sub-Saharan Africa," *NBER Working Paper* No. 6562, May.
- Sembene, D. (2015) Poverty, Growth, and Inequality in Sub-Saharan Africa: Did the walk match the talk under the PRSP Approach? IMF Working paper, WP/15/122.
- United Nations Environment Programme and WTO (2009) "Trade and Climate Change", Report UNCTAD (2002), *Trade and Development Report*. United Nations Conference on Trade and Development, Geneva
- UNCTAD (2015) "Trade and Climate Change Policy Beyond 2015." UNCTAD Policy Brief number 36.
- Wood, A and J. Mayer (2001), Africa's Export Structure in a Comparative Perspective. *Cambridge Journal of Economics*, 5 (3), pp. 369-394.

Supplementary References

- Ariff, M. (1993), "Export-led Economic Growth: Lessons from East Asia", *ICEG*, Abidjan, pp. 1-25.

- Aryeetey E., Court J. Nissanke M and Weder B. (2003), “*Asia and Africa in the Global Economy*”, United Nations University Press.
- Bhasin, V. K. and Obeng, C. (2006), Trade Liberalization, Foreign Borrowing, Poverty and Income Distributions of Households in Ghana, *ICFAI Journal of Applied Economics*, July 2006, 5 (4), 38-53.
- Bhasin, V. K. and Obeng, C. (2007), Trade Liberalization, Foreign Aid, Poverty and Income Distributions of Households in Ghana, *Ghana Policy Journal*, March 2007, 1 (1), 5-22.
- Chenery, H. and T.N. Srinivasan (eds.) (1989), *Handbook of Development Economics, Vol. II*. Amsterdam, North Holland.
- Cosbey, A. (Ed) (2008) Trade and Climate Change: Issues in perspective. International Institute for Sustainable Development, chapters 1 & 4.
- Dornbusch, R. (1992), "The Case for Trade Liberalization in Developing Countries" *Journal of Economic Perspectives*, 6 (1), pp 69-85.
- Frankel, J and Romer, D. (2000), “Does Trade Cause Growth” *American Economic Review*, 89, pp 379-99.
- Frimpong-Ansah, J. et al (eds.) (1991), *Trade and Development in Sub-Saharan Africa*,
 Frimpong-Ansah, J.H., S.M. Ravi Kanbur, and P. Svedberg (eds.) (1991), *Trade and Development in sub-Saharan Africa* New York: Manchester University Press
- Goldberg, P. and Pavcnik N. (2004) “Trade, Inequality and Poverty: What do we Know?” *Brookings Trade Forum*, pp. 223-269.
- Greenaway, D. (ed.) (1988), *Economic Development and International Trade*, Macmillan, London
- Irwin, D.A and Terviö, M., (2002), “Does Trade Raise Income? Evidence from Twentieth Century,” *Journal of Development Economics* 67, pp. 229-224.
- Khan and Iqbal (see articles by Ndulu and Ndungo, Elbadawi and Mwegu, Oyejide, and Rodrik).
- Krueger, A.O. (1990), *Handbook of International Economics*, Vol. 1. North-Holland Amsterdam
- Krueger, A.O. (1998), “Why Trade Liberalisation is Good for Growth”, *The Economic Journal*, 108, September pp. 1513 -1522.
- Lyakurwa, W. (1991), “Trade Policy and Promotion in Sub-Saharan Africa”, *AERC Special Paper* 12.
- Maezels, A. (1987), "Commodities in Crises: An Overview of the Main Issues," *World Development*, 15 (5), pp. 537-549.
- Ogun, O. (1998), “Real Exchange Rate Movements and Export Growth: Nigeria, 1960-1990. *AERC Research paper* 82.
- Papageorgious et al. (eds.) (1991) *Liberalizing Foreign Trade*, Blackwell, Oxford
- Rodrik, D. (1989), "Credibility and Trade Reform: A Policy Maker's Guide", *World Economy*, pp 1-16.
- Rodrik, D. (1992), "The Limits of Trade Policy Reform in Developing Countries", *Journal of Economic Perspectives*, 6 (1), pp 87-105.
- Sapsford, D. (1988), "The Debate over Trends in the Terms of Trade" in D. Greenaway, *Economic Development and International Trade*, Macmillan, pp. 117-131.
- Takacs, W.E. (1990), "Options for Dismantling Trade Restrictions in Developing Countries," *Research Observer*, the World Bank, 5 (1), pp. 25-46.
- Tarp, F. (1993), *Stabilization and Structural Adjustments: Macroeconomic Frameworks for Analyzing the Crisis in sub-Saharan Africa*, London: Routledge.
- UNIDO (2009), *Industrial Development Report: Breaking in and up: New Industrial Challenges for the Bottom Billion and the Middle-Income Countries*, United Nations Industrial Development Organisation, Vienna.
- Yeats, A. (1999), “Do Africans Pay More for Imports? Yes” in Ajay Chhibber and Stanley Fischer (Eds) *Economic Reform in Sub-Saharan Africa, A World Bank Symposium*, Ch.9.

6. SEMESTER II: INTERNATIONAL FINANCE

6.1 READINGS

Basic References

- Hallwood, C. Paul and Ronald MacDonald (2000), *International Money and Finance* 3rd (ed.), Blackwell Publishers, Oxford
- Gandolfo, G. (2016), *International Finance and Open-Economy Macroeconomics*. Berlin, Springer.
- Pilbeam, K. (2013), *International Finance*, 4th edition, Palgrave (Ebook).

Supplementary References

- Appleyard, D.R., Fields, A.J. and Steven Cobb (2010), *International Economics 8th Edition*, McGraw - Hill.
- Copeland Lawrence, (2008), *Exchange rates and international finance 5th edition*, Prentice Hall
- Dornbusch, Rudiger and F. Leslie C.H. Helmers, (Eds.) (1988), *The Open Economy: Tools for Policymakers in Developing Countries*, Oxford University Press, Oxford.
- Gibson, H. (1995), *International Finance*, Macmillan.
- Feenstra, R. & Taylor, A. (2015) *International Macroeconomics*, 3rd edition, Worth Publishers.
- Feenstra, R. and Taylor, A.M. (2017) *International Economics*, 4th edition. Macmillan.
- Isard, P. (1995), *Exchange rate Economics, Cambridge UK: CUP*.
- Montiel, Peter (2009), *International macroeconomics*. Wiley and Blackwell.
- Williamson, John and C. Milner (1991), *The World Economy: A Textbook in International Economics*, New York University Press.

General Introductory Texts

- Caves, Frankel R.E., Jeffrey A. and Ronald W. Jones (2017), *World Trade and Payments: An Introduction*, 10th Edition, London: Addison-Wesley.(forthcoming)
- Copeland, Laurence (2005), *Exchange Rates and International Finance*, 4th edition, F.T. Prentice Hall.
- Husted, S. And Melvin, M. (2013), *International Economics*, 9th edition, Pearson.
- Krugman, Paul and Maurice Obstfeld (2015), *International Economics: Theory and Policy*, 10th edition Pearson Education.
- Rivera-Batiz, F.L. & Rivera-Batiz, L. (1994), *International Finance and Open Economy Macroeconomics 2nd Edition*, New York: Macmillan.
- Salvatore, Dominick (2012), *International Economics: Trade and Finance*, 10th edition, International Version Wiley Sodersten, B. and Reed, G.V. (1995), *International Economics*, Macmillan, London.
- Yarbrough, B.V. and Yarbrough, R.M. (1988), *The World Economy: Trade and Finance*, The Dryden Press.

Major Website Resources

- (a) Joint World Bank and International Monetary Fund External Libraries (JOLIS)
<http://jolis.worldbankimflib.org/external.htm>
- (b) WEbEC WWW-Resources in Economics
<http://wwhelsinki.fi/WebEc/WebEc.html>
- (c) Social Science Research Network eLibrary
<http://ww.ssrn.com/>
- (d) Eldis Trade Policy Resource Guide
<http://www.eldis.org/trade/index.htm>
- (e) International Financial Statistics (IFS) imf.org/en/data
- (f) Balance of Payments Statistics: imf.org/en/data

6.2 COURSE OUTLINE

V. Foreign Exchange Markets and International Parity Conditions (5 hours)

- 5.1 Different Exchange Rate Systems
- 5.2 Foreign Exchange Markets
- 5.3 The Linkage Between Domestic and Foreign Prices
 - Covered Interest Rate Parity (CIP)
 - Uncovered Interest Rate Parity (UIP)
 - Purchasing Power Parity (PPP)
- 5.4 Empirical Evidence & Applications to Africa

Basic References

Gandolfo (2016), Ch. 1, 2, & 3.
Hallwood and MacDonald (2000), Ch. 2 & 7.

Supplementary References

Appleyard, D.R., Fields, A.J. and Steven Cobb (2010), *International Economics 8th Edition*, McGraw - Hill.

Ayogu, M.D. (1995), "Empirical Studies of Nigeria's Foreign Exchange Parallel Market", *AERC Research Papers* 41.

Collier, P., and V. Joshi (1989), Exchange Rate Policy in Developing Countries, *Oxford Review of Economic Policy*, 5 (3), pp. 94-113.

Cronwover, C., J. Pippenger, D. Steigerwald (1996), "Testing for Absolute Purchasing Power Parity," *Journal of International Money and Finance* 15, pp. 783-796.

Dordunoo, C.K. (1994), "The Foreign Exchange Market and the Dutch Auction System in Ghana". *AERC Research Paper* 24.

Dordunoo, C.K., and D. Njinkeu (1997), "Foreign Exchange Rate Regimes and Macroeconomic Performance in Sub-Saharan African," *Journal of African Economies*, Supplement to 6 (3), pp.121-149.

Friedman, M. and Roosa, R. (1977), "Free versus Fixed Exchange Rates: A Debate," *Journal of Portfolio Management*, Spring, pp. 68-73

- Garba, P.K. (1997), "The Nigerian Foreign Exchange Market: Possibilities for Convergence in Exchange Rates", *AERC Research Paper* 55.
- Gibson, H. (1995), *International Finance*, Macmillan.
- Kargbo, J. M. (2003) "Food prices and long-run purchasing power parity in Africa," *Development Southern Africa*, 20(3), 321- 336.
- Ogiogio, G.O. (1996), "A Statistical Analysis of Foreign Exchange Rate Behaviour in Nigeria's Auction," *AERC Research Paper* 49.
- Pilbeam, K. (2013), *International Finance*, Ebook.
- Rivera-Batiz, F.L. & Rivera-Batiz, L. (1994), *International Finance and Open Economy Macroeconomics 2nd Edition*, New York, Macmillan.
- Salvatore, Dominick (2012), *International Economics: Trade and Finance*, 10th edition, International Version Wiley Shapiro, A.C. (1983), "What Does Purchasing Power Parity Mean", *Journal of International Money and Finance* 2, pp. 295-318.
- Silumbu, E.B.D. (1995), "The role of Exchange Rate and Monetary Policy in the Monetary Approach to the Balance of Payments: Evidence From Malawi", *AERC Research Paper* 37.
- Simwaka, K. and Mkandawire, L. (2011) The efficiency of Foreign Exchange market Intervention in Malawi. AERC RP 216.
- Sodersten, B. and Reed, G.V. (1995), *International Economics*, Macmillan, London.
- Taylor, A.M., (2002), "A Century of Current Account Dynamics," *Journal of International Money and Finance*, 21, 725-48.
- Williamson, John and C. Milner (1991), *The World Economy: A Textbook in International Economics*, New York University Press.
- Yarbrough, B.V. and Yarbrough, R.M., (1988), *The World Economy: Trade and Finance*, The Dryden Press.

VI. Models of Balance of Payments Adjustment (16 hours)

- 6.1 Balance of Payments Accounting
- 6.2 Balance of Payments Adjustments
 - The Specie Flow Mechanism
 - Elasticity Approach
 - The Absorption Approach
 - Monetary Approach
- 6.3 Transmission of Disturbances, Exchange Rate Pass-through and the Open Economy Multiplier
- 6.4 Empirical Evidence & Applications to Africa

Basic References

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VII. Theories and Models of Exchange Rate Determination (16 hours)

- 7.1 The Flow Approach to Foreign Exchange Rate Determination
- 7.2 Purchasing Power Parity and the Real Exchange Rate
- 7.3 The Portfolio Balance Approach to Exchange Rate Determination
- 7.4 The Monetary Approach to Exchange Rate Determination
- 7.5 The Exchange Rate as an Asset Price - Rational Expectations
- 7.6 Excess Volatility in Exchange Markets, Speculation and Bubbles
- 7.7 Empirical Evidence & Applications to Africa

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XIII. Fiscal and Monetary Policy under Different Exchange Rate Regimes (10 hours)

- 8.1 Internal and External balance (The Swan Model)
- 8.2 Extensions and Limitations of the Mundell-Fleming Model
- 8.3 Theory of Optimum Currency Area
 - Incomplete monetary unions
- 8.4 Central Bank Intervention in Foreign Exchange Markets
 - Intervention Under Fixed and Flexible Exchange Rates
 - International Macroeconomic Policy Coordination
- 8.5 Empirical Evidence & Applications to Africa

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IX. International Payments System (6 hours)

- 9.1 Goals and Objectives
- 9.2 Evolution of International Payments System
 - The Gold Standard
 - The Bretton Woods System
 - The Non-System/Managed Float
 - The Current System
- 9.3 International Financial Institutions and Africa

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X. International Capital Movements (7 hours)

- 10.1 Private Short and Long Term Capital Flows
- 10.2 Foreign Direct Investment (FDI)
- 10.3 Bilateral and Multilateral Capital Flows
- 10.4 Capital Flight
- 10.5 The International Debt Problem
- 10.6 Impact of Capital Controls and Capital Account Liberalization
- 10.7 Global Financial/Economic Crises; Causes, Effects and Remedies
- 10.8 Empirical Evidence & Applications to Africa

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