

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: December, 2020)

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:

- To offer an up to date overview of the theory of international trade. International trade covers the reasons for trade and explanation of trade patterns and the gains accruing from trade or from restricting trade. These are core areas and call for extensive coverage. Linked to this core are a number of specific issues which must also be studied: increasing returns and trade; trade policy; international factor movements; growth and trade; income distribution and trade; economic integration; multinational enterprises; and 'North-south' issues. Empirical evidence supplements the theoretical treatment. The empirical evidence mainly focuses on Africa. The European Union (EU), World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD) are institutionally involved in trade policy issues and their major concerns are included in the subjects to be studied.

- This module also aims for students to acquire appropriate skills to critically reflect on and analyse issues of international finance. International finance covers the balance of payments, exchange rates and open-economy macroeconomics. Linked to this core are a number of specific issues which must also be studied: national income accounting; spot and forward markets; parity conditions; exchange rate determination; exchange rate regimes; exchange rate stability and currency crises; and currency unions. Empirical evidence, though often inadequate and conflicting, is relevant in many areas. Issues associated with the European Monetary System (EMS), the International Monetary Fund (IMF) and, in general, with international monetary relations are also included in the syllabus.

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.
- Feenstra, Robert C (2016), *Advanced International Trade: Theory and Evidence* Princeton University Press.

Supplementary References

- Antràs, P., and Yeaple, S. R. (2014). Chapter 2 - Multinational Firms and the Structure of International Trade. *Handbook of International Economics*, volume 4, pages 55-130
- Antras (2015), *Firms, Contracts and Trade Structure*, Princeton University Press.
- Appleyard, D.R., Fields, A.J. (2017), *International Economics 9th Edition*, McGraw -Hill.
- Barba-Navarretti and Venables (2006), *Multinational firms in the world economy*, Princeton University Press.
- Costinot, A. and Rodríguez-Clare, A. (2014). Chapter 4 - Trade Theory with Numbers: Quantifying the Consequences of Globalization. *Handbook of International Economics*, volume 4, Pages 197-261
- 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.
- Head, K. and Mayer, T. (2014). Chapter 3 - Gravity Equations: Workhorse, Toolkit, and Cookbook. *Handbook of International Economics*, volume 4, pages 131-195.
- 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.
- Melitz, Marc J, and Stephen J Redding (2014). Chapter 1 - Heterogeneous Firms and Trade. *Handbook of International Economics*, volume 4, pages 1-54.
- Nunn, N. and Trefler, D. (2014). Chapter 5 - Domestic Institutions as a Source of Comparative Advantage. *Handbook of International Economics*, volume 4, Pages 263-315.

- 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.
- Redding, S.J. (September 2020). Trade and Geography. NBER WORKING PAPER SERIES, Working Paper 27821. <http://www.nber.org/papers/w27821>
- Rodrik, D. (1995), "Political Economy of Trade Policy", Ch. 28 in *Handbook of International Economics*, Vol. 3, North Holland.

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).
- Feenstra, R. and Taylor, A.M. (2021) *International Economics*, 5th edition. Macmillan.
- Husted, S. And Melvin, M. (2013), *International Economics*, 9th edition, Pearson.
- Krugman, P. , Obstfeld, M, Melitz, M. (2018), *International Economics: Theory and Policy*, Global edition, 11th edition Pearson Education.
- McLaren, J. (2013), *International Trade*, Wiley
- 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.

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://www.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)
- (h) <http://www.wiod.org/home>

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.
Feenstra Ch. 1 &2.

Supplementary References

Akay, G. H. (2009). Trade, wages, and the specific factors model: empirical evidence from manufacturing industries in Ghana. *Journal of productivity analysis*, 31(1), 47-55.

Akay, G. H. (2009). New Look on the Specific Factor Model: Empirical Evidence from Manufacturing Industries in Tanzania. *International Economic Journal*. [23\(2\):211-226](#)

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

Leamer, E. and Levinsohn, J. (1995), International Trade Theory: the Evidence in Grossman and Rogoff (Eds.), *Handbook of International Economics*, vol. 3. Netherlands: Elsevier.

Romalis, J. (2004), Factor proportions and the structure of commodity trade. *American Economic Review*, 94(1), 67-97.

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

- Increasing Returns to Scale
- Reciprocal dumping models (to add readings)

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 New-New Trade Theory
- 2.4 Gravity Model (Including Geographical Models)
- 2.5 Empirical Evidence & Applications to Africa

Basic References

Bowen, Hollander & Viaene (2012), Ch. 8.
 Markusen, Melvin, Kaempfer & Maskus (1995), Ch. 11, 12, 13 and 14.
 Feenstra (2016), Ch.5 & 6.

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.
- Antràs, P., and Yeaple, S. R. (2014). Chapter 2 - Multinational Firms and the Structure of International Trade. *Handbook of International Economics*, volume 4, pages 55-130.
- Antras (2015), *Firms, Contracts and Trade Structure*, Princeton University Press.
- Arnaud Costinot, Andrés Rodríguez-Clare (2014). Chapter 4 - Trade Theory with Numbers: Quantifying the Consequences of Globalization. *Handbook of International Economics*, volume 4, Pages 197-261.
- 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.
- Barba-Navarretti and Venables (2006), *Multinational firms in the world economy*, Princeton University Press.
- 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.
- 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).
- Hummels, David and James Levinsohn (1995), “Monopolistic Competition and International Trade: Reinterpreting the Evidence,” *Quarterly Journal of Economics*, 110, 799-836.
- Keith Head, Thierry Mayer (2014). Chapter 3 - Gravity Equations: Workhorse, Toolkit, and Cookbook. *Handbook of International Economics*, volume 4, pages 131-195.
- 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.
- Lawrence Edwards, Marco Sanfilippo, Asha Sundaram (2018). “Importing and Firm Export Performance: New Evidence from South Africa”. *South Africa Journal of Economics*. 86(S1): 79-95
<https://doi.org/10.1111/saje.12154>
- Marianne Matthee, Neil Rankin, Tasha Webb, Carli Bezuidenhout (2018).”Understanding Manufactured Exporters at the Firm-Level: New Insights from Using SARS Administrative Data”. *South Africa Journal of Economics*. 86(S1): 96-119. <https://doi.org/10.1111/saje.12158>.

- Melitz, M. J. (2003), "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," *Econometrica*, 71(6), pp. 1695-1725.
- Melitz, Marc J, and Stephen J Redding (2014). Chapter 1 - Heterogeneous Firms and Trade. Handbook of International Economics, volume 4, pages 1-54.
- Musonda, F., (1997), "Intra-Industry Trade Between Members of the PTA/COMESA Regional Trading Arrangement of East, Central and Southern Africa," *AERC Publications*.
- Nathan Nunn, Daniel Trefler (2014). Chapter 5 - Domestic Institutions as a Source of Comparative Advantage. Handbook of International Economics, volume 4, Pages 263-315.
- Osabuohien E. S., et al (2019). Bilateral Trade Performance in West Africa: A Gravity Model Estimation. *African Development Review*, 31(1), 1-14.
- Rodrick, D. (1995). Chapter 28 Political economy of trade policy. Handbook of International Economics, Volume 3, pages 1457-1494.
- Stephen J. Redding (September 2020). Trade and Geography. NBER WORKING PAPER SERIES, Working Paper 27821. <http://www.nber.org/papers/w27821>

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, AfCFTA, SPS Agreements.
- 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.
- Feenstra (2016), Ch. 8, 9, & 10.
- Oyejide *et al.* (1996), Vol. 1.

Supplementary References

- 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. (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.

- Dixit, Avinash. (1985), "Tax policy in open economies." In *Handbook of Public Economics*, vol. 1, pp. 313-374.
- 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.
- Jaime de Melo & Yvonne Tsikata (2015). Regional integration in Africa: Challenges and Prospects . In *The Oxford Handbook of Africa and Economics: Volume 2: Policies and Practices*. Edited by Célestin Monga and Justin Yifu Lin.
- Kayizzi-Mugerwa, S., John. C. Anyanwu, & Pedro Conceição (2014). Regional Integration in Africa: An Introduction. *African Development Review*, 26(S1), 1-6.
- Krugman, P.R. & A.J. Venables (1995), "Globalization and the Inequality of Nations", *Quarterly Journal of Economics* Vol, 110, pp. 881-908
- Leshoele, M. (2020). AfCFTA and Regional Integration in Africa: Is African Union Government a Dream Deferred or Denied? *Journal of Contemporary African Studies*, 1–15. doi:10.1080/02589001.2020.1795091
- Maertens, M., & Swinnen, J. F. M. (2009). Trade , Standards , and Poverty : Evidence from Senegal. *World Development*, 37(1), 161–178. <https://doi.org/10.1016/j.worlddev.2008.04.006>
- Mayeda, G. (2004). Developing Disharmony? The SPS and TBT Agreements and the Impact of Harmonization in Developing Countries. *Journal of International Economic Law* 7, 737–764.
- M'Bet, A. and M. Niamkey (1997), "European Economic Integration and the Franc Zone: Part II. AERC Research Paper 53.
- 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.
- Obeng-Odoom, F. (2020). The African Continental Free Trade Area. *American Journal of Economics and Sociology*, 79(1), 167–197. doi:10.1111/ajes.12317
- Peterson, E., Grant, J., Roberts, D., and V., Kanu (2013). "Evaluating the Trade Restrictiveness of Phytosanitary Measures on US Fresh Fruit and Vegetable Imports", *American Journal of Agricultural Economics*, 95(4), 842-858.
- 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 Gravity 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 (including informal Cross border trade)
- 4.5 Trade and Climate Change
- 4.6 Aid for Trade
- 4.7 Empirical Issues of Trade in Africa

Basic References

- Alagidede et al (2015). The effect of climate change on economic growth: Evidence from Sub Sahara Africa. *Environmental Economics and Policy*, 18(3): 417-436.
- Atkin, David, Amit K. Khandelwal, and Adam Osman. "Exporting and firm performance: Evidence from a randomized experiment." *The Quarterly Journal of Economics* 132, no. 2 (2017): 551-615.
- Bhasin, V. K. (2011) Trade Liberalisation Financing and its impact on Poverty and Income Distribution in Ghana. AERC RP 234.
- Blumberg Rae Lesser, Malaba Joyce and Meyers Lis. (2016). Women Crossborder Traders In Southern Africa Contributions, Constraints, and Opportunities in Malawi and Botswana. Available at: https://banyanglobal.com/wp-content/uploads/2017/05/ICBT-Gender-Assessment-Report_Final_4-30-2016_DEC.pdf
- Bouet Antoine, Pace Kathryn and Glauber Joseph (2018). Informal Cross-Border Trade in Africa How Much? Why? And What Impact? IFPRI Discussion Paper 01783. Available at: <http://ebrary.ifpri.org/utils/getfile/collection/p15738coll2/id/133030/filename/133241.pdf>
- Frankel, J. (2008). Environmental Effects of international Trade. Expert Report no. 31 to Sweden's Globalisation Council.
- Frankel and Rose (2005). Is trade good or bad for the environment? Sorting out the causality. *The Review of Economics and Statistics*, 87(1): 85-91.
- Jean-Guy K. Afrika and Gerald Ajumbo (2012). Informal Cross Border Trade in Africa: Implications and Policy Recommendations. Africa Economic Brief, Vol. 3, Issue 10. Available at: <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Economic%20Brief%20-%20Informal%20Cross%20Border%20Trade%20in%20Africa%20Implications%20and%20Policy%20Recommendations%20-%20Volume%203.pdf>
- McMillan, Margaret, Dani Rodrik, and Karen Horn Welch. When economic reform goes wrong: cashews in Mozambique. No. w9117. National Bureau of Economic Research, 2002.
- OECD/WTO (2015) "Aid for Trade at a Glance 2015: reducing trade costs for inclusive, sustainable growth." OECD Publishing, Paris.
- Pace Kathryn, Bouët Antoine, and Glauber Joseph. (2019) Informal Cross-Border Trade in Africa. International Food Policy Research Institute (IFPRI). Available at: <https://pdfs.semanticscholar.org/2a89/08b5dd6fdee3f4fbc524df3f161e431a782b.pdf?ga=2.147062772.217776086.1605595211-2011568159.1599232282>

- 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.
- Southern African Research And Documentation Centre (SARDC) (2008). Optimising Regional Integration In Southern Africa: Assessing Informal Cross Border Trade In SADC. Harare, Zimbabwe. Available at: <https://www.sardc.net/books/ICBTReport/ICBTReport.pdf>
- Startz, Meredith. "The value of face-to-face: Search and contracting problems in Nigerian trade." Available at SSRN 3096685 (2016).
- Tomonori Sudo (2015). Environmental and Climate Change Issues in Africa. In The Oxford Handbook of Africa and Economics: Volume 1: Context and Concepts. Edited by Célestin Monga and Justin Yifu Lin
- United Nations Environment Programme and WTO (2009) "Trade and Climate Change", Report
- 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.
- World Bank (2020) World Development Report 2020. Trading for Development in the Age of Global Value Chains.
- Yusuff Olabisi (2014). Gender Dimensions of Informal Cross Border Trade in West-African Sub-Region (ECOWAS) Borders. *Journal of Women's Entrepreneurship and Education*, No. 1-2, pp 132-152.

Supplementary References

- 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.
- 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.
- Irwin, D.A and Terviö, M., (2002), "Does Trade Raise Income? Evidence from Twentieth Century," *Journal of Development Economics* 67, pp. 229-224.
- 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

- Aguiar, M. and Amador, M. (2014), Chapter 11 - Sovereign Debt. *Handbook of International Economics*, volume 4, pp. 647-687.
- Appleyard, D.R., Fields, A.J. and Steven Cobb (2017), *International Economics* 9th Edition, McGraw - Hill.
- Burstein, A. and Gopinath, G. (2014), Chapter 7- International Prices and Exchange Rates. *Handbook of International Economics*, volume 4., pp. 391-451.
- 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.
- Engel, C. (2014) Chapter 8- Exchange Rates and Interest Parity. *Handbook of International Economics*, volume 4, pp 453-522.
- Gibson, H. (1995), *International Finance*, Macmillan.
- Gourinchas, P. and Rey, H. (2014), Chapter 10 - External Adjustment, Global Imbalances and Valuation Effects. *Handbook of International Economics*, volume 4, pp. 585-645.
- 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.
- Lorenzoni, G. (2014), Chapter 12 - International Financial Crises. *Handbook of International Economics*, volume 4, pp. 689-740.
- 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.

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://www.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.

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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

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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, Bubbles, currency risk and hedging.
- 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 Covid19 and emerging issues.
- 10.9 Empirical Evidence & Applications to Africa

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