

# UNIVERSITY OF NAIROBI

## SCHOOL OF ECONOMICS

### XEA 512 – INTERNATIONAL ECONOMICS

#### ***INTRODUCTION***

The theory of international trade is one of the oldest subfields of Economics and its central concerns remain those of David Ricardo. In recent years the field of international economics has exhibited a major expansion of the range of topics studied and of the analytical tools brought to bear on them.

This course attempts to cover a wide range of topics which are considered to be of current interest.

A good grasp of Microeconomics and Macroeconomics is necessary for this course as well as a vivid interest in actual international economic issues.

#### ***READINGS IN INTERNATIONAL ECONOMICS***

1. Handbook of International Economics, Vol. 1 – International trade, Edited by Ronald W. Jones and Peter B. Kenen, Elsevier Publishers, 2003
2. Handbook of International Economics, Vol. 2 – International Monetary Economics and Finance, Edited by Ronald W. Jones and Peter B. Kenen, Elsevier Publishers, 1996
3. Handbook of International Economics, Vol. 3, Edited by Gene M. Grossman and Kenneth Rogoff
4. International Economics – Theory and Practice by Paul R. Krugman and Maurice Obstfeld, Addison – Wesley, Pearson Education Asia, 2000
5. The Political Economy of the World Trading System: From GATT to WTO by Bernard Hoekman and Michel M. Kostecki, Oxford University Press, 1997
6. Surveys in International Trade, Edited by David Greenway and L. Alan Winters, Blackwell, 1995
7. The International Economy, Fourth Edition by Peter B. Kenen, Cambridge University Press, 2000
8. International Economics 3<sup>rd</sup> Edition by B.O. Södersten and Geoffrey Reed, Macmillan Press Limited, 1994
9. International Economics Fourth Edition by Dennis R. Appleyard and Alfred J. Field Jr., McGraw-Hill International Edition, 2001

10. World Trade, An Introduction, Fourth Edition by Richard E. Caves and Ronald W. Jones, 1985

### ***COURSE CONTENTS***

1. The pure theory of international trade
  - a) The exchange model
  - b) The Ricardian model
  - c) The Heckscher-Ohlin model
  - d) The specific factors model
  - e) Other trade models
  - f) The gains from trade
2. Increasing returns, imperfect competition and differentiated products in international trade
3. Trade policy, theory of protection, and regional economic integration
4. Open economy Macroeconomics, the balance of payments and foreign exchange markets
  - a) Fixed exchange rates
  - b) Flexible exchange rates
  - c) Asset markets, exchange rates and the balance of payments
  - d) Stabilization policies in open economies
  - e) Price and income approaches to the balance of payments
  - f) Exchange disequilibrium and adjustments
5. The World Monetary and Financial System
  - a) International capital movements
  - b) The issue of sovereign debt