

**COLLABORATIVE PHD DEGREE PROGRAMME (CPP)
IN ECONOMICS FOR SUB-SAHARAN AFRICA
JOINT FACILITY FOR ELECTIVES**



INTERNATIONAL ECONOMICS

COURSE OUTLINE

(Revised April, 2011)

PART I: SUMMARY OF MAJOR TOPICS

SEMESTER I: ECON 651 (INTERNATIONAL TRADE)

I.	INTERNATIONAL TRADE THEORY	(18 hours)
II.	TRADE POLICY	(17 hours)
III.	TRADE, GROWTH AND DEVELOPMENT	(15 hours)
IV.	INTERNATIONAL TRADE INSTITUTIONS	<u>(10 hours)</u>
	TOTAL	60 hours

SEMESTER II: ECON 652 (INTERNATIONAL FINANCE)

V.	INTERNATIONAL FINANCE THEORY	(25 hours)
VI.	REGIONAL AND INTERNATIONAL FINANCIAL ARRANGEMENTS	(15 hours)
VII.	INTERNATIONAL FINANCIAL POLICIES	<u>(20 hours)</u>
	TOTAL	60 hours

PART II: DETAILED OUTLINE AND READING LIST

1. Introduction

This outline and associated readings are developed for a PhD - level course in International Economics which is one of the electives offered under AERC's Collaborative PhD Degree Programme in Economics. In view of the intended use of the course, both the outline of issues and topics slated for discussion and the associated readings pay considerable attention to the contemporary concerns of Africa.

2. Pre-requisite

The student must have a background in International Economics at least at the undergraduate level. In addition, the student must have covered the following core courses: Microeconomics, Macroeconomics and Quantitative Methods.

3. Course Objective

The course seeks to sharpen and reinforce the expertise of the student with respect to the economic theories, models and methodologies used for the analysis of key international trade and finance issues in the context of varying institutional arrangements and settings. This course is aimed at providing students with an in-depth and rigorous analysis of advanced international economics by relating the topics to the conditions in Africa. The course has the following specific objectives which seek to:

- Familiarize the student with important facts on the global economy and international economic institutions;
- Acquaint the student with the analytical tools that economists use to investigate international economic interactions;
- Develop an understanding of the mechanisms of international trade and finance, and the way in which participation in the international economy affects consumers, businesses, economic policy and the economy in general;
- Explore the implications of the theories on African economies; and
- Equip students with the skills to develop alternative theoretical and empirical approaches applicable to African economies.

4. Learning Outcomes

On completing this course the student should be expected to have:

- Profound knowledge and understanding of the theories, empirical and policy issues relating to international trade and finance; and
- Professional skills in research, consultancy, policy analysis and advice.

5. Course Structure and Duration

The course comprises two parts: Part I International Trade (Semester 1); and Part II International Finance (Semester 2). The course will take the form of:

- Lectures and class presentations;
- Seminars;
- Term papers; and
- Tutorials.

6. Mode of Assessment and Grading

Students will be assessed both by continuous assessment and final exam. The weighting will be as follows:

- Continuous assessment (take home assignments, sit-in tests, term paper and presentations) 40%; and
- Final Examination 60%.

The course outline specified for each module is broad. The suggested reading list includes text books, surveys and seminal articles. The instructor will thus have the necessary flexibility to update both in the teaching process.

Main Textbooks

Bhagwati, J.N , Panagariya A. and T.N. Srinivasan (1998), *Lectures on International Trade*. 2nd Edition, Cambridge MIT Press.

Bowen, Harry P., Abraham Hollander and Jean-Marie Viaene (1998), *Applied International Trade Analysis*. London: Macmillan.

Feenstra, Robert C (2004) *Advanced International Trade: Theory and Evidence* Princeton University Press.

Hallwood, C. Paul and Ronald MacDonald (2000), *International Money and Finance*, 3rd edition. Blackwell Publishers, Malden MA.

Montiel, Peter J. (2009), *International acroeconomics*. Wiley and Blackwell.

Nelson, Mark (2001), *International Macroeconomics and Finance: Theory and Econometric Methods*. Blackwell Publishers.

Pilbeam, Keith (1992), *International Finance*. London: Macmillan.

Other Recommended Books

Argy, V. (1994), *International Macroeconomics: Theory and Policy*. London: Routledge.

Chenery, H. and T.N. Srinivasan (eds.) (1989), *Handbook of Development Economics, Vol. II*. Amsterdam, North Holland.

De Melo, Jaime and Jean-Marie Grether (1997), *Commerce International: Théories et Applications*. Paris: De Boeck Université.

Dunning, John H. (1993). *Multinational Enterprises and the Global Economy*. England: Addison-Wesley Publishing Company.

Grossman, Gene and Kenneth Rogoff (eds.) (1995), *Handbook of International Economics, Vol. III*. Amsterdam: North Holland.

Greenaway, D. and C.R. Milner (1986), *The Economics of Intra-Industry Trade*. Oxford, Basil Blackwell.

Greenaway, D. and C.R. Milner (1993), *Trade and Industrial Policy in Developing Countries*. London, Macmillan.

Grossman, Gene and Kenneth Rogoff (eds.) (1996), *The Handbook of International Economics*. North Holland – Elsevier Press.

Grossman, Gene and E. Helpman (1991), *Innovation and growth in a global economy* MIT Press

Helpman, E. and P. Krugman (1985), *Market Structure and Foreign Trade*. MIT Press, Cambridge MA.

Jones, Ronald,., and P.B. Kennen. (eds.) (1984), *Handbook of International Economics, Vol. I and II*. Amsterdam: North Holland.

Kierzkowski, H. (ed) (1984), *Monopolistic Competition in International Trade*. Oxford, Oxford University Press.

- Kierzkowski, Henry (ed.) (1994), *Monopolistic Competition and International Trade*. Oxford: Clarendon Press.
- Leamer, E.E. (1984), *Sources of International Comparative Advantage: Theory and Evidence*. MIT Press, Cambridge, MA.
- Markusen, James R., J.R. Melvin, William H. Kaempfer and Keith E. Maskus (1995), *International Trade: Theory and Evidence*. New York: McGraw-Hill.
- Markusen, James R., Keith E. Markus (2011). *International Trade: Theory and Evidence*. Wiley Publishers (Forthcoming).
- Obstfeld, Maurice and Kenneth Rogoff (1996), *Foundations of International Macroeconomics*. Cambridge, MA, MIT Press.
- Oyejide, Ademola, Ibrahim Elbadawi and Paul Collier (2001), *Regional Integration and Trade Liberalization in Sub Saharan Africa: Framework, (Volumes 1-3)*. London: Macmillan.
- Pikoulakis, Emmanuel (1995), *International Macroeconomics*. London: Macmillan.
- Pilbeam, Keith (2005), *International Finance (3rd edition)*. London: Macmillan.
- Shapiro, A.C. (1999), *Multinational Financial Management*, 6th edition. John Wiley & Sons Inc, New York.
- Stiglitz, Joseph (2003), *Globalization and its discontent, New Edition*. Penguin Books
- Ugur, Mehmet (ed.) (2002), *An Open Economy Macroeconomics Reader*. London: Routledge.
- van der Ploeg, Frederick (ed.) (1994). *The Handbook of International Macroeconomics*. Oxford: Blackwell.
- Williamson, John and C.Milner (1991), *The World Economy: A Textbook in International Economics*. London: Harvester-Wheatsheaf.

SEMESTER I (ECON 651): INTERNATIONAL TRADE (60 hours)

I. INTERNATIONAL TRADE THEORY (18 hours)

This section provides a broad overview of theories and empirical evidence on the microeconomic aspects of international economics. It covers the following: Comparative Advantage Theories and the New Trade Theories.

1.1 Comparative Advantage Theories

- Ricardian Model
- Heckscher-Ohlin-Samuelson Model
- Factor-Price Equalization and Income Distribution
- Leontief Paradox
- International Factor Mobility
- Nonhomothetic Preferences in International Trade

Basic Readings

Feenstra, R.C. (2004), Chapter 1, 2

Bowen *et al.* (1998), Chapter 3, 4 & 8

Bhagwati, J.N., Panagariya A. and T.N. Srinivasan (1998), Chapters 2, 3, 5 & 6.

Additional Readings

Antras, P. and R. Caballero (2009), "Trade and Capital Flows: A Financial Frictions Perspective," *Journal of Political Economy*, vol. 117(4), pp. 701-744.

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.

Bernhofen, D.M. and J.C. Brown (2005), "An Empirical Assessment of the Comparative Advantage Gains from Trade: Evidence from Japan," *American Economic Review* 95, pp. 208-225.

Bustos, P. (2011), "The Impact of Trade on Technology and Skill Upgrading: Evidence from Argentina," mimeo, CREI.

Davis, D. and J. Harrigan (2011), "Good Jobs, Bad Jobs, and Trade Liberalization," *Journal of International Economics*, forthcoming.

Deardorff, A.V. (1994), "Exploring the limits of Comparative Advantage", *Review of World Economics* , 130 (1), pp. 1-19.

- Deardorff, A.V. (1980), "The general validity of the law of comparative advantage", *Journal of Political Economy*, 88, pp. 941-57.
- Do, Q. and A. Levchenko (2007), "Comparative Advantage, Demand for External Finance, and Financial Development," *Journal of Financial Economics*, vol. 86(3), pp. 796-834.
- Dornbusch, R., S. Fischer and Paul Samuelson (1977), Comparative Advantage, Trade and Payments in a Ricardian Model with a Continuum of Goods. *AER*, vol.67 pp 823-839
- Egger, H. and U. Kreickemeier (2009), "Firm Heterogeneity and the Labour Market Effects of Trade Liberalization," *International Economic Review*, vol. 50(1), pp. 187-216.
- Fajgelbaum, P., G. Grossman and E. Helpman (2009), "Income Distribution, Product Quality, and International Trade", *NBER Working Paper* No. 15329.
- Fieler, A. C. (2010), "Non-Homotheticity and Bilateral Trade: Evidence and a Quantitative Explanation," mimeo.
- Foellmi, R., C. Hopenstrick and J. Zweimüller (2010), "Non-Homothetic Preferences, Parallel Imports and the Extensive Margin of International Trade," *University of Zurich Working Paper* No. 497.
- Foroutan, Faezeh and Lant Pritchett (1993), Intra-Sub-Saharan African Trade: is it too Little? *Journal of African Economies*, 2(1): 74-105.
- Heckscher, E.F (1919), The Effect of Foreign Trade on The Distribution of Income. *Ekonomisk Tidskrift*, 497-5112.
- Hunter, L. C. (1991), "The Contribution of Nonhomothetic Preferences to Trade," *Journal of International Economics*, vol. 30, pp. 345-358.
- Leamer, Edward (1980), "The Leontief Paradox Reconsidered," *Journal of Political Economy* pp.495-503.
- Leamer, Edward (1993), "Factor Supply Differences as a Source of Comparative Advantage," *American Economic Review*, May pp. 436-439.
- Leamer, E. E. (1992), Testing Trade Theory, *NBER Working Paper*, No. 3957.
- Leontief, Wassily (1954), Domestic Production and Foreign Trade: The American Capital Position Re-examined. *Economia Internazionale* 2 (1): 3-32. (Reprinted in Richard Caves and
- Leontief, Wassily (1956), Factor Proportion and the Structure of American Trade: Further Theoretical and Empirical Analysis. *Review of Economics and Statistics*, 38: 386-407.
- Markusen, J. (2010), "Putting Per-Capita Income back into Trade Theory," mimeo, University of Colorado. (current version available at <http://spot.colorado.edu/markusen/markusen-per-cap-income.pdf>)

- Samuelson, P.A. (1948), International Trade and the Equalization of Factor Price. *Economic Journal*, 58 (230): 163-185.
- Yeaple, S. (2005), “A Simple Model of Firm Heterogeneity, International Trade, and Wages,” *Journal of International Economics*, vol. 65(1), pp. 1-20.

1.2 The New Trade Theories

- Intra-Industry Trade Models
- Product Differentiation and Monopolistic Competition
- Increasing Returns and Economies of Scale
- Trade and Multi-national Corporations
- Gravity Models and Linder’s Hypothesis
- Task Trade, Offshoring, and Outsourcing
- Trade Intermediaries

Basic Readings

- Feenstra, R. C. (2004), Chapter 5
- Bowen *et al.* (1998), Chapter 9
- Helpman and Krugman (1985) Chapter 6 – 11
- Bhagwati, J.N., Panagariya A. and T.N. Srinivasan (1998), Chapter 11

Additional Readings

- Ahn, J., A. K. Khandelwal and S. Wei (2011), “The Role of Intermediaries in Facilitating Trade,” *Journal of International Economics*, forthcoming.
- Akerman, A. (2010), “A Theory on the Role of Wholesalers in International Trade,” mimeo, Stockholm University.
- Anderson, J. and E. van Wincoop (2003) “Gravity with Gravitas: A Solution to the Border Puzzle,” *American Economic Review*, 170-192.
- Antras, P. and Costinot, A. (2011), “Intermediated Trade,” *Quarterly Journal of Economics*, forthcoming.
- Antras, P., M. Desai, and F. Foley (2009), “Multinational Firms, FDI Flows and Imperfect Capital Markets,” *Quarterly Journal of Economics*, vol. 124(3), pp. 1171-1219.
- Baldwin, R. and J. Harrigan (2010), “Zeros, Quality and Space: Trade Theory and Trade Evidence”, *NBER Working Paper* No. 13214.

- Basker, E., and P. H. Van (2010), "Putting a Smiley Face on the Dragon: Walmart as Catalyst to U.S.-China Trade," mimeo, University of Missouri.
- Bastos, P. and J. Silva (2010), "The Quality of a Firm's Exports: Where You Export to Matters," *Journal of International Economics*, vol. 82, pp. 99-111.
- Bernard, A. B., J. B. Jensen, S. J. Redding and P. K. Schott (2009), "The Margins of US Trade," *American Economic Review*, vol. 99(2), pp. 487-93.
- Bernard, A. B., J. B. Jensen, S. Redding, and P. K. Schott (2010), "Wholesalers and Retailers in U.S. Trade (Long Version)," *NBER Working Paper No. 15660*.
- Bernard, A. B., S. J. Redding and P. K. Schott (2010), "Multi-Product Firms and Trade Liberalization," mimeo.
- Bernard, A. B., S. Redding and P. K. Schott (2010), "Multi-Product Firms and Product Switching," *American Economic Review*, vol. 100(1), pp. 70-97.
- Blum, B. S., S. Claro, and I. J. Horstmann (2010), "Intermediation and the Nature of Trade," mimeo, University of Toronto.
- Collier P. and A.J. Venables (2007) Rethinking preferences: How can Africa diversify its exports" *World Economy* 30 (8) pp 1326-1345.
- Crozet, M., K. Head and T. Mayer (2010), "Quality Sorting and Trade: Firm-level Evidence for French Wine," mimeo, Paris School of Economics.
- Dixit, A. and Joseph E. Stiglitz (1977), Monopolistic Competition and Optimum product Diversity. *The American Economic Review*, 67 (3): 297308.
- Eckel, C. (2009), "International Trade and Retailing," *CESifo Working Paper No. 2597*.
- Eckel, C. and P. Neary (2009), "Multi-Product Firms and Flexible Manufacturing in the Global Economy," *Review of Economic Studies*, vol. 77(1), pp. 188-217.
- Fajgelbaum, P., G. Grossman and E. Helpman (2009), "Income Distribution, Product Quality, and International Trade," *NBER Working Paper*.
http://www.economics.harvard.edu/faculty/helpman/files/Income_Distribution.pdf
- Felbermayr, G., and B. Jung (2011), "Trade Intermediation and the Organization of Exporters," *Review of International Economics*, forthcoming.
- Greenaway, D. and C. R. Milner (1983), "On the Measurement of Intra- industry Trade," *Economic Journal* vol. 94 pp. 900-908.
- Helpman. E (1999), "The Structure of Foreign Trade," *Journal of Economic Perspectives* vol. 13. No. 2 pp. 121- 144.

- Hummels, D. and P. J. Klenow (2005), “The Variety and Quality of a Nation's Exports,” *American Economic Review*, vol. 95, pp. 704-723.
- Khandelwal, A. (2010), “The Long and Short (of) Quality Ladders,” *Review of Economic Studies*, vol. 77, pp. 1450-1476.
- Krugman, Paul (1992), “Does the New Trade Theory Require a New Trade Policy,” *The World Economy*, 15(4): 423-441.
- Lall, Sanjaya (1973), “Transfer-Pricing by Multinational Manufacturing Firms,” *Oxford Bulletin of Economics and Statistics*, 35 (3): 173-195.
- Manova, K. (2010), “Quality Heterogeneity Across Firms and Export Destinations”, *NBER Working Paper No. 15342*.
- Markusen, J. (1995a), “The boundaries of multinational firms and the theory of international trade”, *Journal of Economic Perspectives* No.9 pp169-189
- Mayer, T., M. J. Melitz and G. Ottaviano (2009), “Market Size, Competition, and the Product Mix of Exporters,” mimeo.
- Verhoogen, E. (2008), “Trade, Quality Upgrading and Wage Inequality in the Mexican Manufacturing Sector,” *Quarterly Journal of Economics*, vol. 123(2), pp. 489-530.
- Weeks, John and Turan Subasat (1998), “The Potential for Agricultural Trade among Eastern and Southern African Countries,”. *Food Policy*, 23(1): 73-88.

II. TRADE POLICY (17 hours)

- Tariff and Non-Tariff Barriers to Trade; Effects on Trade, Production, Consumption and Economic Welfare (Under Perfect and Imperfect Market Structures)
- Product and Factor Market Distortions and Trade Policy
- Trade Liberalisation and Economic Integration

Basic Readings

Feenstra, R.C. (2004) Chapter 6 - 8

Bowen *et al.* (1998), Chapter 5, 10 & 12

Bhagwati, J. N., Panagariya A. and T.N. Srinivasan (1998), Chapter 12-15, 20-22, 25- 27, 30-31

Oyejide A. and Augustin Fosu (eds) (2010), *African Imperatives in the New World Order, Volume III: Case Studies of Institutional Framework and the Process of Trade Policy Making in Africa*, African Economic Research Consortium.

- Oyejide, A. (1998), Trade Policy and Regional Integration in the Development Context: Emerging Patterns, Issues and Lessons for Sub-Saharan Africa. *Journal of African Economies*, vol 7, Supplement 1, 108-145.
- Oyejide, A., B. Ndulu and J. W. Gunning (eds) (1999), *Regional Integration and Trade Liberalization in Sub-Saharan Africa: Vol 2: Country Case Studies*. London, Macmillan.
- Oyejide, Ademola, Ibrahim Elbadawi and Paul Collier (eds.) (2001), *Regional Integration and Trade Liberalization in Sub-Saharan Africa, Volume 1: Framework, Issues and Methodological Perspectives*. London: Macmillan.

Additional Readings

- Baldwin, R. E. (1970), *Non-tariff Distortion of International Trade*. Washington, D.C: Brookings Institution.
- 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.
- Collier, Paul, Anthony J. Venables (2007), “Rethinking trade preferences: How Africa Can Diversify Its Exports,” *The World Economy* 30 (8) pp. 1326-1345.
- Cooper, C. A. and B. F. Massell (1965), “A New Look at Customs Union Theory,” *Economic Journal*, Dec. pp. 742-747.
- De Rosa, D. (1991) “Protection in Sub-Saharan Africa Hinders Exports” *Finance & Development* March 10 pp. 42-45.
- Dean, J.M., S. Desai, and J. Riedel (1994), “Trade Policy Reform in Developing Countries Since 1985: A Review of the Evidence” *World Bank Discussion Paper* Washington D.C.: The World Bank.
- Dornbusch, R. (1992), “The Case for Trade Policy Reform in Developing Countries,” *Journal of Economic Perspectives*, 6, (1) pp. 69 - 85.
- Goldstein, Andrea, and Ndung’u, Njuguna (2001), “Regional Integration Experience in the Eastern African Region.” *OECD Development Centre Technical Papers*, 171.
- Grossman , G. M. and E. Helpman (1994), “Protection for Sale,” *American Economic Review* September pp. 833-850.
- Helpman, E. and O. Itskhoki (2010), “Labour Market Rigidities, Trade and Unemployment,” *Review of Economic Studies*, vol. 77, pp. 1100-1137.
- Helpman, E., O. Itskhoki and S. Redding (2010), “Inequality and Unemployment in a Global Economy”, *Econometrica*, vol. 78(4), pp. 1239-1283.

- Khan, M.S. and Z. Iqbal (eds) (1998), *Trade Reform and Regional Integration in Africa*. Washington, D.C., IMF Institute. 11.
- Low, P. and Yeats Alexander (1995), “Non-tariff Measures and Developing Countries,” *World Economy* 18 (1).
- Nash, J. (1993) “Implementation of Trade Reform in sub-Saharan Africa: How Much Heat and How Much Light?” *Policy Research Working Paper* No. 1218, Washington DC: The World Bank
- Rodrik, D. (1998a), “Why is Trade Reform so Difficult in Africa?” *Journal of African Economies*, 7, (Supplement 1), pp. 10-36.
- Rodrik, D. (1998b) “Trade Policy and Economic Performance in sub-Saharan Africa” *NBER Working Paper* No. 6562, May.
- Vamvakidis, A. (1999), Regional Trade Agreements or Broad Liberalization: Which Path Leads to Faster Growth. *IMF Staff Papers*. 46 (1), pp.42-68.

III. TRADE, GROWTH AND DEVELOPMENT (15 hours)

- Trade and Growth Models
- Import Substitution Versus Export Promotion Strategy of Industrialization
- Trade and Immiserizing Growth
- Factor Mobility and The Rybczynski Theorem
- A Comparative Analysis of Trade, Growth and Development in Emerging and African Countries
- Trade and Poverty

Basic Readings:

Feenstra, R. C. (2004), Chapter 10

Bowen *et al.* (1998), Chapter 6 &14

Bhagwati, J.N., Panagariya A. and T.N. Srinivasan (1998), Chapter 29, 32-33, 36-37

Additional Readings

Bhasin, V. K. and Obeng, C. (2005), “Globalization, Technology, Poverty and Income Distributions of Households in Ghana” in *World Association for Sustainable Development: World Sustainable Development Outlook 2005 Global Competitiveness: a common goal in a digital society*, Emerald Group Publishing Limited, U.K, pp. 375-84.

- Bhasin, V. K. and Obeng, C. (2005), "Trade Liberalization, Remittances, Poverty and Income Distributions of Households in Ghana," in Judith Shaw (Ed): "*Remittances, Microfinance and Development: Building the Links. Volume 1: A Global View, The Foundation for Development Co-operation*," Brisbane, Australia, pp. 33-45.
- Bhasin, V. K. and Obeng, C. (2006), "Trade Liberalization, Foreign Borrowing, Poverty and Income Distributions of Households in Ghana," *ICFAI Journal of Applied Economics*, 5(4), pp. 38-53.
- Bhasin, V. K. and Obeng, C. (2007), Trade Liberalization, Foreign Aid, Poverty and Income Distributions of Households in Ghana, *Ghana Policy Journal*, 1 (1), pp. 5-22.
- Edwards Sebastian (1993), "Openness, Trade Liberalization and Growth in Developing Countries," *Journal of Economic Literature* vol. 31 p. 1358- 1393.
- Frankel, J.A. and D. Romer (1996), "Trade and Growth: An Empirical Investigation," *NBER Working Paper* 5476, March.
- 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.
- GrosReidel, J. (1984), "Trade as an Engine of Growth in Developing Countries Revisited," *Economic Journal*, March pp. 56-73.
- Grossman, G.M. and E. Helpman (1990), "Trade, Innovation and Growth," *American Economic Review*, May pp. 86-91.
- McCulloch, N., L.A. Winters, and X. Cirera (2001), *Trade Liberalization and Poverty: A handbook*. London, CEPR
- Milner, C.R. (Ed.)(1990), *Export Promotion Strategies: Theory and Evidence from Developing Countries*. Brighton, Wheatsheaf.
- Rodrik, D. (1995), "Trade Strategy, Investment and Exports: Another Look at East Asia," *NBER Working Paper* 5339.
- Rybczynski, T.M. (1995), "Factor Endowments and Relative Commodity Prices," *Economica*, November: 336-341.
- Salvatore, D and T. Hatcher (1991), "Inward and Outward Oriented Development Strategies," *Journal of Development Studies* vol. 27 no. 3 pp. 7-25.
- Weiss J. (2010), "Changing Trade Structure and its Implications for Growth," *The world Economy* 33 pp. 1269 -1279.
- Winters, Alan, Neil McCulloch and Andrew McKay (2004), "Trade Liberalization and Poverty: The Evidence So Far," *Journal of Economic Literature* Vol. XLII pp. 72 – 115.

IV. INTERNATIONAL TRADE INSTITUTIONS (10 hours)

- Political Economy of Trade Policy
- The Structure and Organisation of GATT/ WTO
- Regional and Multilateral Trade Negotiations (Special and Differential Treatment for the Least-Developed and Developing Countries; Lome Convention; and EPAs)

Basic Readings

Feenstra, R. C. (2004), Chapter 9

Bhagwati, J. N. , Panagariya A. and T. N. Srinivasan (1998), Chapter 28

Additional Readings

De la Torre, A. and M.R. Kelly (1992), "Regional Trade Arrangements," *Occasional Paper* 93, IMF, Washington, D.C.

Frankel, J. (1997), *Regional Trading Blocks in the World Trading System*, Washington, D.C., IIE.

Goldberg, Koujianou P. and G. Maggi (1999), "Protection for Sale: An Empirical Investigation," *American Economic Review* 89 pp. 1135-55.

Grossman, G.M. and E. Helpman (1994), "Protection for Sale," *American Economic Review* 84 pp. 833-50.

Grossman, G.M. and E. Helpman (2005), "The Politics of Free Trade Agreements," *American Economic Review*, 85: 667-90, 2005.

Hoekman, Bernard M. and Michel M. Kostecki (2001), *The Political Economy of the World Trading System, Second Edition*. Oxford: Oxford University Press.

Martin, W. and L.A. Winters (Eds.) (1996), *The Uruguay Round and the Developing Economies*, Cambridge, Cambridge University Press.

Panagariya, A. (1999), "The Regionalism Debate: an Overview," *The World Economy* 22 (4) pp. 477-511

Rodrik D. (1990), "The Rush to Free Trade in the Developing World," *NBER Working Paper* no. 3947

Teshome, Mulat (1998), "Multilateralism and Africa's Regional Economic Communities," *Journal of World Trade*, 32(4) pp. 115-138.

Wang, Z.K; and L.A. Winters (1998), "Africa's Role in Multilateral Trade Negotiations: Past and Future," *Journal of African Economies*, Vol. 7, Supplement 1, pp. 37 - 69.

SEMESTER II (ECON 652): INTERNATIONAL FINANCE (60 hours)

This section reviews the basic theory underlying international monetary transactions with particular focus on the balance of payments; foreign exchange markets; exchange rate regimes; international macroeconomic policy coordination; international finance markets; global capital flows and economic growth; determination of real exchange rates; international debt; global financial crisis; macroeconomic stabilization under different fiscal, monetary and exchange rate policy rules; trade financing; monetary integration; and international payments system.

V. INTERNATIONAL FINANCE THEORY (25 hours)

5.1 Open Economy Models

- Mundel-Fleming Model and its Extensions Under Different Exchange Rate Regimes
- Exchange Rate, Fiscal, Monetary and Sterilisation Policies
- International Policy Co-Ordination
- African Experience with Respect to Exchange Rate, Fiscal, Monetary and Sterilisation Policies

Basic Readings

Hallwood, C. Paul and Ronald MacDonald (2000), Chapters 5 & 6.

Montiel, Peter J. (2009), Chapter 17.

Nelson, Mark (2001), Chapter 8.

Pilbeam, Keith (1998), Chapter 4 & 14.

Additional readings

Dooley, Michael P., David Folkerts-Landau, and Peter Garber (2003), "An Essay on the Revived Bretton Woods System," *NBER Working Paper* 9971.

Eichengreen, Barry (2004), "Global Imbalances and the Lessons of Bretton Woods," *NBER Working Paper* 10497.

Feldstein, Martin (2008), "Resolving the Global Imbalance: the Dollar and the U.S. Saving Rate." *Journal of Economic Perspectives*, 22(3) pp.113-125.

Fleming, J.M. (1962), "Domestic Financial Policies Under Fixed and Floating Exchange Rates", *IMF Staff Papers*, 9(3) pp.369-379.

Mann, Catherine L. (2002), "Perspectives on the U.S. Current Account Deficit and Sustainability." *Journal of Economic Perspectives*, 16(3), pp.131-152.

Mundell, Robert (1963), "Capital Mobility and Stabilization Policy Under Fixed and Flexible Exchange Rate", *Canadian Journal of Economics and Political Science* 29 (4), pp. 487-99.

Obstfeld, Maurice, and Kenneth Rogoff (1995), "The Mirage of Fixed Exchange Rates." *Journal of Economic Perspectives*, 9(4), pp.73-96.

5.2 Balance of Payments

- Different Approaches to the Balance of Payments; Elasticity, Absorption and Monetary Approaches.
- Current and Capital Account Convertibility

Basic Readings

Hallwood, C. Paul and Ronald MacDonald (2000), Chapters 8.

Nelson, Mark (2001), Chapter 3 & 11,

Montiel Peter J. (2009), Chapter 2,

Pilbeam, Keith (1998), Chapter 2, 3, 5 & 8,

Additional Readings

Bilson, John F.O. (1985), "Macroeconomic Stability and Flexible Exchange Rates," *American Economic Review*, 75(2), pp. 62-67.

5.3 Exchange Rate Economics

- The Foreign Exchange Market: Fixed, Flexible and Managed Float Exchange Rates
- Spot, Forward, Futures and Option Exchange Rate Markets
- Exchange Rate Determination: Monetary Approach, Portfolio Balance Approach
- Empirical Validity of Exchange Rate Determination Approaches
- Foreign Exchange Risks and Their Management

Basic Readings

Hallwood, C. Paul and Ronald MacDonald (2000), Chapters 9 - 12.

Nelson, Mark (2001), Chapter 3 & 7.

Montiel, Peter (2009), Chapter 5-13.

Pilbeam, Keith (1998), Chapter 6 -7, 9-10, 13.

Additional Reading

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- Lucas, R.E. (1982), "Interest Rates and Currency Prices in a Two-Country World," *Journal of Monetary Economics* 10, pp. 335-359
- Mark, Nelson C. (1995), "Exchange Rate and Fundamentals: Evidence on Long-Horizon Predictability," *American Economic Review*, March: 85 (1), pp. 201-218
- Rogoff, Kenneth (1996), "The Purchasing Power Parity Puzzle," *Journal of Economic Literature* 34, June, pp. 647-668.
- Svensson, Lars (1988), "Trade in Risky Assets," *American Economic Review* 78, June, pp. 375-394
- Taylor, Alan M. and Mark P. Taylor (2004), "The Purchasing Power Parity Debate." *Journal of Economic Perspectives*, 18(4), pp. 135-158.
- Williamson, J. (1997), "Exchange Rate Policy and Development Strategy," *Journal of African Economies*, Supplement to 6 (3), pp. 17 - 36.

VI. REGIONAL AND INTERNATIONAL FINANCIAL ARRANGEMENTS (15 hours)

- Optimum Currency Areas (Theory and Practice: CFA; WAEMU; CMA; And EMU).
- International Financial Architecture: (IMF, World Bank, African Development Bank) International Payments System; International Coordination; Structure and Composition; Financial Reforms; and International Financial Regulations.
- Governance and Stability of the International Financial System.

Basic Readings

- Hallwood, C. Paul and Ronald MacDonald (2000), Chapters 18 & 24.
- Nelson, Mark (2001), Chapter 3 & 7.
- Montiel, Peter J. (2009), Chapter 16, 18.
- Pilbeam, Keith (1998), Chapter 11, 16.
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Additional Readings

- Aguiar, M. and G. Gopinath (2005), "Defaultable Debt, Interest Rates and the Current Account," *Journal of International Economics* 69 (1), pp. 64 – 83.
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- Arelleno, C. (2005), "Default Risk, Income Fluctuations and Real Exchange Rates," mimeo, University of Minnesota.
- Bai, Y. and J. Zhang (2005), "Financial Integration and International Risk Sharing," mimeo, Arizona State University and University of Michigan.
- Bayoumi, Tamim and Eichengreen, Barry (1997), "Ever Closer to Heaven? An Optimum- Currency-Area Index for European Countries," *European Economic Review*, 41, pp. 761-770.
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- Cole, H. and M. Obstfeld (1991), "Commodity Trade and International Risk Sharing: How Much Do Financial Markets matter?" *Journal of Monetary Economics* 28, pp. 3-24
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- Krugman, P. (1993), "What Do We Need to Know About the International Monetary System," *Essays in International Finance*, No. 20, Princeton University.
- Lane, Philip R. (2006), "The Real Effects of European Monetary Union," *Journal of Economic Perspectives*, 20 (4): 47-66.
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- Masson, Paul and Catherine Pattillo (2005), "The Monetary Geography of Africa," The Washington, D.C. Brookings Institution Press.
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- Mburu, Tom (2005), "A Political and Economic Assessment of the Feasibility and Desirability of an East African Monetary Union," Claremont Graduate University, California, USA.

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- Polak, J. J. (1991), "The Changing Nature of IMF Conditionality," *Princeton Essays in International Finance*, Vol. 184, Princeton University.
- Vaubel, Roland (1978), "Real Exchange-Rate Changes in the European Community: A new Approach to the Determination of Optimum Currency Areas," *J. of International Economics*, 8, pp. 319-339.
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VII. INTERNATIONAL FINANCIAL POLICIES (20 hours)

- International Capital Flows
- Global Financial Crisis and Policies
- Foreign Aid and Foreign Debt
- Trade Finance

Basic Readings

- Hallwood, C. Paul and Ronald MacDonald (2000), Chapters 19 & 23.
- Montiel, Peter (2009), Chapter 9 & 16.
- Pilbeam, Keith (1998), Chapter 15.

Additional Readings

- African Development Bank (ADB) (2009), "Impact of the Global Financial Crisis on Africa" *ADB Working Paper Series* No. 96.
- Ahn, J. (2010), "A Theory of Domestic and International Trade Finance," mimeo, Columbia University.
- Ajakaiye, O. and T., Fakiyesi (2009), "Global Financial Crisis: Nigeria" *Overseas Development Institute (ODI) Discussion Series* No. 8.
- Ajayi Ibi and M Khan, eds. (2000), *External Debt and Capital Flight in Sub - Saharan Africa*. Washington, DC: The IMF Institute.

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- Alemayehu Geda (2003), 'The Historical Origin of African Debt Crisis', *Eastern Africa Social Science Research Review*, Vol XIX, No. 1 (also at www.Alemayehu.com).
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- Arslanalp, Serkan, and Peter Blair Henry (2006), "Policy Watch: Debt Relief," *Journal of Economic Perspectives*, 20 (1) pp. 207-220.
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- Edward, S. (1997), The Mexican Peso Crisis: How Much Did We Know and When Did We Know it." *National Bureau of Economic Research (NBER) Working Paper* No. 6334.

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- Griffith-Jones, S., M.F. Montes and A. Nasution (Eds.) (2001), *Short-Term Capital Flows and Economic Crises*. New York, Oxford University Press.
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- International Monetary Fund (IMF) (2003), "Lessons from the Crisis in Argentina" Prepared by the *Policy Development and Review Department in Consultation with the other Departments*
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