***Course Guide book November 2018***

|  |  |
| --- | --- |
| C:\Users\user\Desktop\MAU logo.PNG  **MEKDELA AMBA UNIVERSITY;**  **COLLEGE OF BUSINESS AND ECONOMICS; ECONOMICS Program** | |
| Program | Economics |
| Course Title | **International Economics II** |
| Course Code | **Econ2082** |
| Instructor | Mebtu M. |
| Office location: Academics Building F0; R9 |
| Email: mebtumelaku7@gmail.com |
| Credit HRs | 3 |
| Target Group | Second year Year Economics Students |
| Year /Semester | *Year II, Semester II* |

**Course Description**

This course deals with international trade theories and policy issues and how international trade is financed. The course aims to provide a highly focused discussion of topics in international economics in two separate subject areas of International trade and international finance in the context of developing countries. Issues covered in the course are conventional and nonconventional trade theories which include the classical model (Smith and Ricardo), the modern and neoclassical theory of trade (the H-O-S model, the Stolper-Samuelson Theorem, and The Leontief Paradox), The New Trade Theories and the African context (Imperfect competition and scale economies), Economic Integration and Theories of Customs Union, Trade Policies and Developing countries (Import Substitution and Export Promotion, Trade and Development, the World Trade Organization and Developing Countries, etc). Besides, the issues of the Balance of Payments (and different approaches to balance of payments), Exchange rate economics, Open-Economy macroeconomics (IS-LM-BP framework, the Mundel-Fleming Model), the Evolution of International Financial Institutions (the IMF, the World Bank etc…), impact of capital flows and the debt crisis in African context will be covered.

**Course Objective**

**The objective of this course is to:**

* Demonstrate understanding of the various effects of trade policy interventions
* Be able to identify those groups that benefit and lose from a move from free to restricted trade
* Demonstrate how to apply economic reasoning to global policy issues in a critical manner
* Demonstrate knowledge of the current issues in economics, an appreciation of how economists address international economic issues and be familiar with current research issues in international economics
* Understand the economic basis behind current policy debates in international economics
* Critically address different policy proposals in addressing issues arising in international economics
* Deliver coherent argument in written work, including coherent arguments for assessing complex policy issues in the global economy
* Develop presentation skills in addressing theoretical and empirical issues in international economics
* Lay a foundation of open Macro International Economics
* Discuss and analyze nation’s international interaction through trade and finance to the rest of the world.
* Explain approaches and techniques of analyzing trade and finance internationally.

**Course Content**

1. **Exchange Rate and The Foreign Exchange Market (5 Hrs)**
   1. The foreign exchange market
   2. Different concepts of the exchange rate
   3. Exchange rate regimes, spot versus forward foreign exchange markets
   4. Hedging , Speculation and arbitraging
   5. The foreign exchange market versus financial markets.
2. **Money, Interest Rate and The Exchange Rate (6 Hrs)**
   1. Brief review of the money market

- (money demand, money supply and interest rates)

* 1. Money and exchange rate in the short run
  2. Price Levels and Exchange Rates in the Long Run
     1. The law of one price
     2. The absolute purchasing power parity
     3. The relative purchasing power parity
     4. Flexible-price monetary model of exchange rate

1. **Balance of Payments and National Income Accounting (8 Hrs)**
   1. National Income Accounting for an open economy
   2. Term of trade, balance of trade and balance of payments
   3. Components of balance of payment
   4. Balance of payment disequilibrium (deficit and surplus in the BOP)
   5. Correction of disequilibrium
   6. The links between saving, investment and the current account
2. **Theories of The Balance of Payments (5 Hrs)**
   1. The elasticity approach
   2. The absorption approach
   3. The monetary approach
3. **Economic Policy in an Open Economy (12 Hrs)**
   1. Brief review of equilibrium in the goods market
   2. The money market and the balance of payments
   3. Fiscal and monetary policies under fixed exchange rate regime
   4. Fiscal and monetary policies under flexible exchange rate regime
4. **Prices and Output in an Open Economy (6Hrs)**
   1. Aggregate demand and aggregate supply under fixed exchange rate regime
   2. Aggregate demand and aggregate supply under flexible exchange rate regime
5. **The International Monetary System (IMS) (6Hrs)**
   1. Evolution of the IMS
   2. Exchange rate regimes
   3. The Bretton Woods System
   4. The current IMS and developing countries
   5. The external debt problem of developing countries,
   6. The African Debt Crisis

**Course Policy**

* Late coming is not allowed and no student is allowed to enter after class has started.
* Duplication of assignments is strictly forbidden; it entails serious penalty.
* Assignments are required to be submitted before or on the deadline.
* Cheating during exam sessions results in a minimum of “F “grade while cheating in quizzes and tests is subjected to a zero mark. All cheating cases will be reported to the department for further considerations.
* Students should switch off their cell phones while they are in class and must keep their cell phones switched off during all kinds of exam sessions.
* students must attend 80% of the class for the course. Failure to attend 80% of the class will not allow the student to sit for the final exam.
* Missing a quiz without convincing evidences will earn the students a grade of zero marks in that specific quiz

**Module Delivery Methods**

The delivery method shall be student-centered. Students are highly expected to participate in class works at the middle and end of each session and in group discussions inside and outside of the class. Specifically the course will be delivered through the following methods:

* Lecture Method
* In-class problem solving
* Group Work
* Assignment

**Assessment Methods**

Student evaluation in this module consist both formative and summative assessments including quizzes, test and final exam. Marks will be allocated according to the following grading schedule.

|  |  |
| --- | --- |
| **Assessment method** | **Weight** |
| Assignment (Indiv/group) | 20% |
| Quizzes/Tests**(Max of 10 % each)** | 30% |
| Final Exam | 50 % |
| **Total** | 100% |

**References**

1. *Appleyard, D. R. and Field, A. J. (2001), International Economics, 4th ed., Mcgraw-Hill/Irwin, Boston.*
2. Dwivedi, D.N.International Economics (1999), Delhi: Konark Publishers
3. *International Economics: Theory and Policy, Fourth Edition, by Paul R. Krugman and Maurice*
4. *International Trade: Theory and Evidence by Markusen James R. et al (1995), McGrow-Hill Inc.— covers aspects of international trade only - M&MKM*
5. Krugman, Paul. & Obstfeld, Maurice. (2003), International Economics: Theory &Policy. New York: Addison-Wesley.
6. Mannur, H.G, (1998), International Economics, Vikas publishing house pvt.ltd

*Obstfeld, Addison Wesley Longman*

1. *Pilbeam, K. (1992), International Finance, London: Macmillan.*
2. *Salvatore, Dominic (1995), International Economics, Prentice Hall International, Inc.*
3. Salvatore,D. (1998), International Economics, 6 ed., Printice
4. Salvatore,D. (2001), International Economics, India: republika pvt.ltd
5. Sawer, Charles W. & Sprinkle (2006), International Economics
6. Sodersten, B. & Reed, Geoffrey (1994), International Economics, 3rd edition. London: Macmillan.
7. *Sodersten, B. and G. Reed (1994), International Economics, New York: St. Martin's Press.*