

Course Name: International Economics II

Course code: Econ2082

1. Exchange Rate and The Foreign Exchange Market (5 Hrs)

- 1.1. The foreign exchange market
- 1.2. Different concepts of the exchange rate
- 1.3. Exchange rate regimes, spot versus forward foreign exchange markets
- 1.4. Hedging , Speculation and arbitraging
- 1.5. The foreign exchange market versus financial markets.

2. Money, Interest Rate and The Exchange Rate (6 Hrs)

- 2.1. Brief review of the money market
 - (money demand, money supply and interest rates)
- 2.2. Money and exchange rate in the short run
- 2.3. Price Levels and Exchange Rates in the Long Run
 - 2.3.1. The law of one price
 - 2.3.2. The absolute purchasing power parity
 - 2.3.3. The relative purchasing power parity
 - 2.3.4. Flexible-price monetary model of exchange rate

3. Balance of Payments and National Income Accounting (8 Hrs)

- 3.1. National Income Accounting for an open economy
- 3.2. Term of trade, balance of trade and balance of payments
- 3.3. Components of balance of payment
- 3.4. Balance of payment disequilibrium (deficit and surplus in the BOP)
- 3.5. Correction of disequilibrium
- 3.6. The links between saving, investment and the current account

4. Theories of The Balance of Payments (5 Hrs)

- 4.1. The elasticity approach
- 4.2. The absorption approach
- 4.3. The monetary approach

5. Economic Policy in an Open Economy (12 Hrs)

- 5.1. Brief review of equilibrium in the goods market
- 5.2. The money market and the balance of payments
- 5.3. Fiscal and monetary policies under fixed exchange rate regime
- 5.4. Fiscal and monetary policies under flexible exchange rate regime

6. Prices and Output in an Open Economy (6Hrs)

- 6.1. Aggregate demand and aggregate supply under fixed exchange rate regime
- 6.2. Aggregate demand and aggregate supply under flexible exchange rate regime

7. The International Monetary System (IMS) (6Hrs)

- 7.1. Evolution of the IMS
- 7.2. Exchange rate regimes
- 7.3. The Bretton Woods System
- 7.4. The current IMS and developing countries
- 7.5. The external debt problem of developing countries,
- 7.6. The African Debt Crisis

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), McGraw-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
7. *Pilbeam, K. (1992), International Finance, London: Macmillan.*
8. *Salvatore, Dominic (1995), International Economics, Prentice Hall International, Inc.*
9. Salvatore, D. (1998), International Economics, 6 ed., Printice
10. Salvatore, D. (2001), International Economics, India: republika pvt.ltd
11. Sawyer, Charles W. & Sprinkle (2006), International Economics
12. Sodersten, B. & Reed, Geoffrey (1994), International Economics, 3rd edition. London: Macmillan.
13. *Sodersten, B. and G. Reed (1994), International Economics, New York: St. Martin's Press.*