Aims:

The aims of this module are:

- to address important policy questions relevant for open economies
- to establish a sufficient level of knowledge to allow students to pursue their own research in the area of open economy macroeconomics.

Objectives:

This module will be made up of two sections; international trade and international finance. The first part of the module will deal with the base of trade across developed countries (North-to-North trade) and between developed and developing countries (North-to-South trade) both from a theoretical and an empirical perspective. The second part will be devoted to the dynamics of international financial transactions. After successfully completing this module students will gain a better understanding of the determinants of the flow of goods across countries, the sources of exchange rate behaviour, underlying determinants of current account, the main features of the functioning of international financial markets, capital flows and portfolio diversification.

Assessment:

There will be a two-hour unseen examination scheduled for the Summer Term.

Pre-requisites:

Students should have taken Mathematics for Economists and have a sound understanding of undergraduate macroeconomics and microeconomics.

Contact Hours
22: 9 two-hour lectures and 5 one-hour seminars.
Seminars
A separate Seminar Programme with the list of presenters for each meeting is available from the VLE module page.

Reading
There is no single text which covers all topics adequately. The following text will be used most frequently throughout the module.


1. **Review of general equilibrium theory**

McFadden, D. "Robinson Crusoe meets Walras and Keynes".


2. **Gains from trade, comparative advantage and the’ Ricardian’ model**


3. **Increasing returns to scale and trade**

4. **Inter-temporal models of current account**


5. *International financial markets; diversification, capital flows and puzzles*

OR Ch 5.1-5.5


6. *Fiscal policy in open economies*

OR Chp 3.1 and 3.2


7. Exchange rate dynamics


