

OTTO-VON-GUERICKE-UNIVERSITÄT MAGDEBURG

**Fakultät für Wirtschaftswissenschaft
Faculty of Economics and Management**



Program Handbook

for the Master (M. Sc.) program

International Economics and Finance

Magdeburg, February 2008

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Study Program: **International Economics and Finance**
(Otto-von-Guericke University Magdeburg, Germany)

Objectives: The Master program in International Economics and Finance is designed to equip the students with the knowledge, methods and skills which professional applied economists or financial analysts and managers are expected to possess.
The program builds upon a strong basis in economic theory, econometrics and quantitative finance provided within the first two semesters. From the third semester, students are specializing either in applied international economics or applied finance.
A 3-semester fast-track option (including the preparation of the master's thesis), may be offered to especially qualified and hard-working students upon enrollment.
Prior work experience is not required for admission.

Degree Conferred: Master of Science (M.Sc.)

Duration: 4 semesters

Program Language: English

Enrollment: Winter semester (October)

Entry requirements:

- Bachelor degree in economics, management, engineering, the natural sciences, computer science, mathematics, or an academic degree deemed equivalent and earned from a recognized university, with a GPA of at least 2.70 (B⁻) out of 4.00.
- Valid, official score report of the GRE Graduate Record Examination (General Test). Minimum score, required for admission, in the quantitative part: 600.

Application Details: Local N.C. on admission.
Study applications are to be submitted to OvG University directly.

- International Applicants: April 30 (last receipt date)
- German Applicants: July 15 (last receipt date)

Career Perspectives: Work as business, market or political economist in foreign or multi-national companies, consultancy firms, financial institutions, international organizations, or others.

Competencies and Interests Required:
Interest in finance and economic theory and scenarios; solid knowledge in advanced mathematics and English.

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Master of Science (M. Sc.) in International Economics and Finance

– Program Curriculum –

Compulsory Studies								ECTS	
Semester 1	Mathematical Economics 4 L + 2 T (12 ECTS) Deckelnick		Microeconomics Analysis 4 L (8 ECTS) Riechmann		Option Pricing 2 L + 1 T (6 ECTS) Reichling		Stochastic Processes (Import FMA) 2 L + 1 T (6 ECTS) Christoph		32
Semester 2	International Trade 4 L (8 ECTS) Paqué		Macroeconomic Analysis I 2 L + 2 T (8 ECTS) Schwödiauer		Corporate Finance 2 L + 1 T (6 ECTS) Reichling		Financial Econometrics 3 L + 1 T (8 ECTS) Vogt		30
Semester 3	Applied International Economics (AIE)					Seminar in Applied Finance 2 S (= 6 ECTS) Reichling	Risk Controlling 2 L + 1 T (= 6 ECTS) Reichling	Behavioral Finance 2 L (= 4 ECTS) Vogt	28
	International Economics 2 L (= 4 ECTS) N.N.	Macro-economic Analysis II 2 L + 1 T (= 6 ECTS) Schwödiauer	Seminar in Applied Economics 2 S (= 6 ECTS) Schwödiauer	Monetary Economics 2 L (= 4 ECTS) Gischer	International Finance 4 L (= 8 ECTS) Schwödiauer				
						Applied Finance (AF)			
Semester 4	Master's Thesis								30
								Program credits in total:	120

Propaedeutics subjects (Brückenmodule), to be taken, if required, as additional 1st semester courses:

- **Statistics II**
- **Microeconomics**
- **International Economics**

Key / Abbreviations: **ECTS:** credit points under the European Credit Transfer System

L: lecture

S: seminar

T: tutorial (exercise class, to accompany the relevant lecture)

Methods
International Economics
Finance

Module Description

Study Program: Master of Science (M.Sc.) in International Economics and Finance
Module: Microeconomic Analysis / Mikroökonomische Theorie
Objectives of the Module (Competencies): The students acquire an analytical understanding of the determinants of individual economic decisions and their consequences for individual and firm behavior. As a consequence, students learn to understand and solve problems from the fields of information economics, industrial organization and questions from evolutionary economics.
Content: <ol style="list-style-type: none">1. Introduction into Game Theory: Best Responses, Equilibria, Nash Refinements2. Advanced Concepts in Game Theory: Imperfect and Incomplete Information, Bayesian Equilibria, Expectation Formation3. Dynamic Games. Learning4. Applications: Topic in Public Choice, Rent Seeking, Topics in Industrial Organization, Evolutionary Dynamics
Basic Literature: Fudenberg, Tirole "Games Theory", Cambridge, MA 1991 Fudenberg, Levine "The Theory of Learning in Games", Cambridge, MA, 1991 Tirole "Industrial Organization", Cambridge, MA 1988 Gibbons "A Primer in Game Theory", Harlow, UK, 1992
Prerequisites: Intermediate Microeconomics, Mathematics.
Forms of Teaching: 4 L
Work load: 240 hrs
Exams/Credits: Final exam (120 min.), 8 CP
Responsible of Module: Riechmann for Weimann

Module Description

Study Program:

Master of Science (M.Sc.) in International Economics and Finance

Module:

Option Pricing

Objectives of the Module (Competencies):

Goal of the course is to analyse derivative financial instruments and to consider how these instruments are used to hedge particular kinds of risk or to change the distribution of the portfolio's returns in certain ways. Emphasis of the course lies on different pricing models that in particular include the Binomial model and the Black-Scholes model. Therefore, students will learn the concept of risk neutral valuation technique. Furthermore, the course will discuss exotic options. Finally, caps, floors, and index certificates are considered.

Content:

1. Payoff Profiles of Options
2. Bounds for Option Prices
3. The Binomial Model
4. The Black-Scholes Model
5. Greeks
6. Exotic Options
7. Caps and Floors
8. Index Certificates

Basic Literature:

Hull, J. C. (2006): *Options, Futures, and Other Derivatives*, 6th ed., Pearson/Prentice Hall, Upper Saddle River.

Prerequisites:

Financial Management / Wertpapieranalyse

Forms of Teaching:

2L, 1 T

Work load:

180 hrs

Exams/Credits:

Final exam (60 min.), 6 CP

Responsible of Module:

Reichling

Module Description

Study Program: Master of Science (M.Sc.) in International Economics and Finance
Module: Mathematical Economics / Mathematische Wirtschaftstheorie
Objectives of the Module (Competencies): The lecture and the supporting problem-solving class enable the students to use the tools of non-linear programming, differential equations and control theory for understanding the analytical structure of microeconomic and macroeconomic theory.
Content: Part I: <ol style="list-style-type: none">1. Nonlinear programming;2. Sensitivity Analysis and Other Topics in Microeconomic Theory; Part II: <ol style="list-style-type: none">3. Elements of Differential Equations, Linear Differential Equations on the Plane and Elements of Nonlinear Systems;4. Application to Macroeconomics;5. Elements of Optimal Control Theory with Applications.
Basic Literature: Takayama, A., Analytical Methods in Economics, University of Michigan Press, 1993
Prerequisites: Elementary course in Mathematics for Economists, Intermediate Micro- and Macroeconomics.
Forms of Teaching: 4 L, 2 T
Work load: 360 hrs
Exams/Credits: Final exam (120 min.), 12 CP
Responsible of Module: Werner/Schwödauert

Module Description

Study Program: Master of Science (M.Sc.) in International Economics and Finance
Module: Stochastic Processes
Objectives of the Module (Competencies): The lectures and the problem-solving classes enable the students to understand some main ideas and apply some tools of stochastic calculus like Brownian motion, conditional expectation, martingale, Ito stochastic integral, Ito lemma, and Ito stochastic linear differential equation.
Content: <ol style="list-style-type: none">1. Stochastic processes (Basic concepts, time series, Gaussian process, Poisson process)2. Brownian Motion (properties and processes derived from Brownian motion)3. Conditional Expectation and Martingales4. Ito- und Stratonovich-Stochastic Integrals, Ito-Lemma5. Stochastic Differential Equation6. Application in Finance (Black-Scholes Option Pricing Formula)
Basic Literature: Th. Mikosch, <i>Elementary Stochastic Calculus with Finance in View</i> . World Scientific, 2000.
Prerequisites: Elementary courses in Mathematics and Statistics for Economists.
Forms of Teaching: 2 L, 1 T
Work load: 180 hrs
Exams/Credits: Final exam (120 min.), 6 CP
Responsible of Module: Christoph(FMA), Vogt

Module Description

Study Program: Master of Science (M.Sc.) in International Economics and Finance
Module: International Trade
Objectives of the Module (Competencies): This course is concerned with the most important theories of international trade and how they relate to the developments in the real world economy. It attempts to provide an up-to-date and understandable analytical framework for illuminating current events and bringing the excitement of advanced international trade into the classroom. To help the student to grasp and retain the underlying logic of international trade, at each stage, the theoretical development is motivated by pertinent data and policy questions.
Content: <ol style="list-style-type: none">1. Preliminaries: Two-Sector Models2. The Heckscher-Ohlin Model3. Many Goods and Factors4. Trade in Intermediate Inputs and Wages5. Increasing Returns and the Gravity Equation6. Gains from Trade and Regional Agreements7. Import Tariffs and Dumping8. Import Quotas and Export Subsidies9. Political Economy of Trade Policy10. Trade and Endogenous Growth11. Multinationals and Organization of the Firm
Basic literature: Robert C. Feenstra, <i>Advanced International Trade</i> , Princeton University Press, 2004.
Prerequisites: International Economics (Bachelor level)
Forms of Teaching: 4 L
Work load: 240 hrs
Exams/Credits: Final exam (120 min.), 8 CP
Responsible of Module: Paqué

Module Description

Study Program: Master of Science (M.Sc.) in International Economics and Finance
Module: Macroeconomic Analysis I
Objectives of the Module (Competencies): The students are exposed to basic facts about long-run growth and business cycles. They learn to understand economic fluctuations in terms of the interaction of aggregate demand and supply, as well as the possibilities and limitations of stabilization policy.
Content: <ol style="list-style-type: none">1. Basic Theory and Empirics about Long-Run Growth2. Basic Facts about Business Cycles3. The Building Blocks for the Short-Run Model4. Aggregate Supply and Aggregate Demand in the Closed Economy5. Stabilisation Policy6. The Limits to Stabilisation Policy.
Basic Literature: Sørensen, P. B. and H. J. Whitta-Jacobsen, <i>Introducing Advanced Macroeconomics</i> , McGraw-Hill, 2005
Prerequisites: Intermediate Macroeconomics, Mathematics.
Forms of Teaching: 3 L, 1 T
Work load: 240 hrs
Exams/Credits: Final exam (120 min.), 8 CP
Responsible of Module: Schwödiauer

Module Description

Study Program:

Master of Science (M.Sc.) in International Economics and Finance

Module:

Corporate Finance

Objectives of the Module (Competencies):

Goal of the course is to convey a broad knowledge of corporate finance. The lecture starts analysing the CAPM under market imperfections. Following, we deal with different performance measures. An important issue in corporate finance is to be familiarized with insights of capital structure, i.e. the Modigliani-Miller propositions, and company valuation, in particular the DCF method. Subsequently, risk management deals with hedging and the risk management cycle. Finally, agency theory is presented, particularly including the LEN model.

Content:

1. CAPM under Market Imperfections
2. Performance Measurement
3. Capital Structure
4. Company Valuation
5. Financial and Corporate Risk Management
6. Agency Theory

Basic Literature:

Ross, S. A./ Westerfield, R. W./ Jaffe, J. F. (2005): *Corporate Finance*, 7. ed., internat. ed., Boston, Mass.: McGraw-Hill.

Prerequisites:

Financial Management / Wertpapieranalyse; recommended: Option Pricing

Forms of Teaching:

2 L, 1 T

Work load:

180 hrs

Exams/Credits:

Final exam (60 min.), 6 CP

Responsible of Module:

Reichling

Module Description

Study Program: Master of Science (M.Sc.) in International Economics and Finance
Module: Financial Econometrics
Objectives of the Module (Competencies): This lecture aims at providing deeper insight into econometric methods to the students. Starting point is the knowledge of basic econometrics as provided in the econometrics lecture in the bachelor program. ARIMA, ARCH, GARCH models and further models in analyzing time series are explained. Dummy dependent variable techniques like logit or probit and problems connected with simultaneous equations are also part of the lecture. A training of these techniques will be provided in the exercises. In the end of the lecture the students should be able to decide which methods are suitable to analyze panel and time series data and to do the analysis.
Content: <ol style="list-style-type: none">1. The linear model and Maximum Likelihood Estimation2. Time series analysis<ol style="list-style-type: none">2.1 ARIMA2.2 ARCH2.3 GARCH3. Dummy dependent variable techniques: logit and probit4. Problems with simultaneous equations: Two stage least squares5. Forecasting
Textbooks: J. Johnston, J. DiNardo, <i>Econometric Methods</i> , McGraw-Hill Education, 1997 A.H. Studenmund, <i>Using Econometrics</i> , Addison, Wesley, Longman, 2001
Forms of Teaching: 3 L, 1 T
Prerequisites: None.
Workload: 240 hours
Exams/Credits: Oral exam or written final exam (120 min.), 8 CP
Responsible for Module: Vogt

Module Description

Study Program: Master of Science (M.Sc.) in International Economics and Finance
Module: Monetary Economics
Objectives of the Module (Competencies): This lecture gives an introduction to principles and problems of the monetary sphere of an industrialized economy. We provide basic insights into the analysis of financial systems as well as into the discussion of fluctuations of interest rates. Additionally, the structure and the function of central banks will be outlined. We finally examine the money supply process and the conduct of monetary policy.
Content: <ol style="list-style-type: none">1. Financial Systems2. Money and Payment Systems3. Interest Rates, Yield, and Rates of Return4. Behavior of Interest Rates5. Risk and Term Structure of Interest Rates6. Structure of Central Banks and the European System of Central Banks7. Banks and the Money Supply Process8. Determinants of the Money Supply9. Tools of Monetary Policy10. Conduct of Monetary Policy
Basic Literature: Mishkin, F.S. (2004); <i>The Economics of Money, Banking, and Financial Markets</i> , 7 th ed., Boston
Prerequisites: None.
Forms of Teaching: 2 L
Work load: 120 hrs
Exams/Credits: Final exam (60 min.), 4 CP
Responsible of Module: Gischer

Module Description

Study Program: Master of Science (M.Sc.) in International Economics and Finance
Module: International Macroeconomics and Finance
Objectives of the Module (Competencies): The course exposes the student to the “state of the art” in the macroeconomic analysis of open economies by emphasizing micro-founded, intertemporal equilibrium models. The student will gain a profound understanding of the determinants of the balance of trade, the nominal and real exchange rates, the international transmission of monetary policy, etc.
Content: <ol style="list-style-type: none">1. Intertemporal Equilibrium and the Current Account Balance;2. Models of Small Open Economies;3. International Financial Markets and the Capital Account Balance;4. Money and Exchange Rates under Flexible Prices;5. Sticky-Price Models of Output, the Exchange Rate, and the Current Account.
Basic Literature: Obstfeld, M. and K. Rogoff, <i>Foundations of International Macroeconomics</i> , MIT Press, 1996
Prerequisites: International Economics (Bachelor level), Macroeconomic Analysis I.
Forms of Teaching: 4 L
Work load: 240 hrs
Exams/Credits: Final exam (120 min.), 8 CP
Responsible of Module: Schwödiauer

Module Description

Study Program: Master of Science (M. Sc.) in International Economics and Finance
Module: Seminar in Applied Economics/Applied Finance
Objectives of the Module (Competencies): The student will: <ul style="list-style-type: none">- deepen his/her knowledge of a specific topic in economics or finance using the relevant research literature and empirical data- practice standard academic research methods and acquire specific research skills- write and present an academic paper- participate in academic discussion of other participants' research
Content: Contents will be defined by the lecturer responsible for the respective seminar. Typically, contents and tasks assigned should be related to the topics and methods covered in one or several of the modules of this study program.
Prerequisites: Modules of the first two semesters
Forms of Teaching: 2 S, may be accompanied by 1 or 2 hours of tutorials
Work load: 180 hours per semester, including 28 contact hours
Exams/Credits: Typically, a seminar paper should be written and presented. Besides, formal discussions of other papers, oral contributions, and written exams may be credited. 6 CP
Responsible for Module: Any faculty member or visiting professor

Module Description

Study Program: Master of Science (M.Sc.) in International Economics and Finance
Module: Topics in International Economics
Objectives of the Module (Competencies): The course is conceived as a supplement to the fundamental lectures on International Trade and, respectively, International Macroeconomics and Finance. With varying topics, it focuses on typical issues of international economic policy in order to acquaint the students with recent developments. The course may be organized in form of a lecture or a seminar.
Content: Exemplary topics: <ul style="list-style-type: none">- European economic and monetary integration- Political Economy of Trade Policy and Protection- Trade Policy for Developing Countries- International Macroeconomic Policy Coordination- The Global Capital Market- Exchange Rate Models and Forecasting
Basic Literature: None.
Prerequisites: International Economics (Bachelor level)
Forms of Teaching: 2 L or 2 S
Work load: 120 hrs
Exams/Credits: Final exam (60 min.), 4 CP
Responsible of Module: Schwödiauer

Module Description

Study Program: Master of Science (M.Sc.) in International Economics and Finance
Module: Macroeconomic Analysis II
Objectives of the Module (Competencies): The students learn to understand and handle macroeconomic models based on intertemporal optimisation and stochastic disturbances.
Content: <ol style="list-style-type: none">1. Infinite-Horizon Models2. OLG Models3. Real-Business-Cycle Theory and Stochastic Dynamic Equilibrium Models4. Money and Government Finance in Intertemporal Equilibrium Models.
Basic Literature: Romer, D., <i>Advanced Macroeconomics</i> , McGraw-Hill, 3 rd ed., 2006
Prerequisites: Mathematical Economics, Macroeconomic Analysis I.
Forms of Teaching: 2 L, 1 T
Work load: 180 hrs
Exams/Credits: Final exam (120 min.), 6 CP
Responsible of Module: Schwödiauer

Module Description

Study Program:

Master of Science (M.Sc.) in International Economics and Finance

Module:

Risk Controlling

Objectives of the Module (Competencies):

Goal of the course is to make students familiar with different concepts of risk measurement and methods of risk management and risk controlling. In the first part, different measures of downside risk are discussed. The second part of the lecture presents the analysis of market risk of different financial contracts. Students are placed in the position to calculate the value-at-risk of stocks, bonds, and derivatives. In the field of credit risk, the Basel II regulations are presented. Furthermore, students get to know credit pricing and credit risk models.

Content:

1. Downside Risk
Stochastic Dominance, Downside-risk Criteria, Lower Partial Moments
2. Market Risk
Value-at-Risk of Stocks, Bonds, Futures, and Options
3. Credit Risk
Basel II, Rating, Credit Pricing, and Credit Risk Models

Basic Literature:

Hull, J. C. (2007), *Risk Management and Financial Institutions*, Pearson/Prentice Hall, Upper Saddle River.

Jorion, P. (2001), *Value at Risk: The New Benchmark for Managing Financial Risk*, 2nd ed., McGraw-Hill, New York.

Reichling, P.; Bietke, D.; Henne, A. (2007), *Risikomanagement und Rating*, 2. Aufl., Gabler, Wiesbaden.

Prerequisites:

Financial Management / Wertpapieranalyse; recommended: Option Pricing

Forms of Teaching:

2 L, 1 T

Work load:

180 hrs

Exams/Credits:

Final Exam (60 min.), 6 CP

Responsible of Module:

Reichling

Module Description

Study Program: Master of Science (M.Sc.) in International Economics and Finance
Module: Behavioral Finance
Objectives of the Module (Competencies): Frequently empirical tests of concepts in finance show effects that are not predicted by standard theory. A lot of portfolio and market anomalies are documented in the literature. It is the aim of this lecture to provide an overview of these anomalies like for example bubbles, short-run momentum long-run reversal, excess volatility, the equity premium puzzle and home bias. Possible explanations of these findings are provided. In the last part of the lecture the problems connected with the creation of a new theory are discussed.
Content: <ol style="list-style-type: none">1. Short summary of the financial theories tested2. Empirical Findings: portfolio and market anomalies3. Possible explanations of these findings4. Discussion of the new models of the empirical findings
Basic Literature: Andrei Shleifer, <i>Inefficient Markets: An Introduction to Behavioral Finance</i> , Oxford, New York, 2000
Prerequisites: None.
Forms of Teaching: 2 L
Work load: 120 hrs
Exams/Credits: Oral exam or written final exam (60 min.), 4 CP
Responsible of Module: Vogt

Module Description

Study Program: Master of Science (M. Sc.) in International Economics and Finance
Module: Master's Research Colloquium / Final seminar
Objectives of the Module (Competencies): <ul style="list-style-type: none">• Definition of a research project• Planning and realization of an own research project (based on the contents of the student's individual study program) leading to a Master's Thesis• Writing and presentation of a research paper (Master's Thesis)• Discussion of other students' work-in-progress and research results
Content: Supervised by a professor, the student will define and realize his/her research project. The research methodology, preliminary results and the final paper will be presented in the seminar. The project may have an academic or more applied research focus. In the latter case, cooperation with practitioners from firms or other organizations outside the university, which helps the student to position himself/herself in the labor market, is welcome.
Prerequisites: Modules of semesters 1-3
Forms of Teaching: 2 S
Work load: 900 hours per semester (from the design of the project to the completion of the Master's Thesis)
Exams/Credits: Oral presentations and final version of the Master's Thesis, 30 CP
Responsible of Module: Any thesis supervisor as appointed by the Faculty's Board of Examiners.

Propaedeutics courses – Module Description

Study Program: Master of Science (M.Sc.) in International Economics and Finance – Propaedeutics course from the B.Sc. in Management and Economics program
Module: Statistics II (Inferential Statistics and Econometrics)
Objectives of the Module (Competencies): Understanding and applying the fundamental tools of statistical inference. Ability to transfer real-world questions in Economics and Management into the framework of Mathematical Statistics and to transfer the derived answers back to the real-world problem.
Content: <ol style="list-style-type: none">1. Point Estimation2. Confidence Intervals3. Testing Statistical Hypotheses – Parametric Tests4. Non-Parametric Tests of Goodness of Fit and Independence5. Basic Econometric Models
Basic literature: Newbold, P., <i>Statistics for Business and Economics</i> , 4 th ed., Prentice Hall, 1995. Griffiths, W.E., Hill, R.C., Judge, G.G., <i>Learning and Practicing Econometrics</i> , John Wiley & Sons, 1993.
Forms of Teaching: 4 L, 2 T
Prerequisites: Mathematics I, II, Statistics I.
Workload: 240 hrs
Exams/Credits: Final exam (120 min.); 8 CP
Responsible for Module: Müller-Gronbach, Schwabe (FMA)

Propaedeutics courses – Module Description

Study Program: Master of Science (M.Sc.) in International Economics and Finance – Propaedeutics course from the B.Sc. in Management and Economics program
Module: Economics I (Microeconomics)
Objectives of the Module (Competencies): The students acquire an intuitive as well as an analytical understanding of the determinants of individual economic decisions in private households and firms, the working of the market and different market forms.
Content: <ol style="list-style-type: none">1. Household Theory and the Determinants of Demand<ol style="list-style-type: none">1.1. Derivation of the Household Optimum1.2. Derivation of Demand Functions1.3. Endowment Economies1.4. Slutsky-Decomposition, Measures of Welfare1.5. Aggregate Demand2. Theory of the Firm and the Determinants of Supply<ol style="list-style-type: none">2.1. Technology, Production, and Costs2.2. Individual Supply2.3. Long Run Supply2.4. Aggregate Supply, Measures of Welfare3. Market Forms<ol style="list-style-type: none">3.1. Monopoly, Monopolistic Behavior, Natural Monopoly3.2. Technical Prerequisites: Basics of Game Theory3.3. Models of Oligopoly3.4. Technological Progress and Growth4. Welfare<ol style="list-style-type: none">4.1. Trade and Exchange in the Edgeworth Box4.2. Welfare Theorems
Basic Literature: Varian, H., <i>Intermediate Microeconomics</i> , 6 th ed., W.W. Norton, 2003.
Prerequisites: Principles of Economics I, II; Mathematics I, II.
Forms of Teaching: 4 L, 2 T
Work load: 240 hrs
Responsible of Module: Riechmann

Propaedeutics courses – Module Description

Study Program:

Master of Science (M.Sc.) in International Economics and Finance –
Propaedeutics course from the B.Sc. in Management and Economics program

Module:

Economics III (International Economics)

Objectives of the Module (Competencies):

The students will acquire a thorough understanding of the real and monetary aspects of globalization (international trade, factor movements, financial market and exchange rules) and the options for and limitations to national economic policy.

Content:

1. Theory of international trade
 - 1.1. Comparative advantage in the Ricardian model
 - 1.2. Specific factors and income distribution
 - 1.3. Neoclassical standard trade model
 - 1.4. Elements of the Heckscher-Ohlin model
 - 1.5. Economies of scale and intraindustrial trade
 - 1.6. International factor mobility
2. Trade Policy
 - 2.1. Tariffs and their welfare implications (partial equilibrium analysis)
 - 2.2. Other instruments of commercial policy
 - 2.3. Tariffs in general equilibrium
 - 2.4. Free trade areas and customs unions
 - 2.5. Critical appraisal of government commercial policy
3. Exchange rates and open-economy macroeconomics
 - 3.1. Balance of payments
 - 3.2. Foreign exchange markets and exchange-rate regimes
 - 3.3. IS-LM model of open economies (Mundell-Fleming)
 - 3.4. Production and exchange rate in the short run
 - 3.5. Price level and exchange rate in the long run
4. International macroeconomic policy
 - 4.1. Development of the international monetary system
 - 4.2. International policy coordination under flexible exchange rates
 - 4.3. Optimum currency areas and monetary unions.

Basic Literature:

Caves, R. E., J. A. Frankel, and R. W. Jones, *World Trade and Payments*, Addison Wesley, 9th ed., 2002.

Prerequisites:

Economics I, II.

Forms of Teaching:

3 L, 1 T (lectures plus assignments and discussion of solved problems in tutorials)

Work load:

180 hrs

Exams/Credits:

Written mid-term and final exam (60 min.); 6 CP

Responsible of Module:

Schwödiauer

