

M.A. Economics (Final) 2020-21

Paper VII

5107 NEW

International Economics

Objective: The paper presents clear comprehensive, up-to-date exposition of the theory and principles of international economics that are essential for understanding, evaluating and suggesting solutions to the important international economic problems and issues facing the world. It will greatly help students to examine the impact of the trade policies followed both at the national and international levels as also their welfare implications at macro level.

Unit I

Introduction and Theories of International Trade

International Economics: Definition, Purpose and Subject Matter. Difference between Inter Regional and International Trade.

Theories of International Trade: Theories of Absolute Advantage and Comparative Costs Advantage. Refinements of Comparative Cost Theory and Opportunity Costs Theory. Modern Theory of International Trade and its Empirical Testing. Factor Price Equalization Theorem,, Kravis and Linder's Theorem, The Rybczynski Theorem, Posner's Theory, Vernon's Theory, Kenen's Theory, Emmanuel's Theory. Theory of International Trade in Imperfect Market. Brander-Krugman Oligopolistic Model.

Unit II

Terms of Trade and Gains from Trade

Terms of Trade: Different Concepts, Determination of Terms of Trade, Factors Affecting Terms of Trade, Terms of Trade and Economic Development, Secular Deterioration Hypothesis. Trade as an Engine of Economic Growth.

Gains From Trade: Meaning, Potential and Actual Gain from International Trade. Measurement of Gains from Trade and their Distribution- Argument of Ricardo-Malthus, Findle, Taussing, Mill and Modern argument. Static and Dynamic Gains from Trade. Gain From Trade for Small and Large Nation.

Unit III

Trade Policy and Trade Barriers

Trade Policy: Free Trade V/s Protection. Trade Barriers: Tariff and Non-Tariff. Tariff – Meaning and Types, Effects of Tariff under partial and general equilibrium, Optimum Tariff and Effective Rate of Tariff. Stolper – Samuelson Theorem with and without Tariff.

Non-Tariff Barriers (NTBs) : Meaning and Types, Import Quotas – Meaning, Objectives, Types, Import Quotas V/s Tariffs, Voluntary Export Restraints, Export Subsidies, International Cartels, Technical and Administrative Regulations, Dumping. Dumping – Meaning, Objective, Types and Effects. Anti Dumping Measures.

Economic Integration-The Theory of Customs Union, its Partial and general equilibrium analysis. Regional Trade Blocks.

Unit IV

Balance of Payment and Exchange Rate

Balance of Trade and Balance of Payments – Meaning and Components, Disequilibrium in Balance of Payments, Measures to correct Disequilibrium in Balance of Payments, Adjustment Mechanism of Balance of Payments- Automatic Price Adjustment, Elasticity Approach, Absorption Approach, Expenditure Policies and Monetary Approach.

Foreign Trade Multiplier, Foreign Exchange Rate- Meaning and Determination. Theories of Foreign Exchange Rate Determination. Policies: Fixed v/s Flexible Exchange Rate Policies, Intermediate or Hybrid Exchange Rate Systems, Multiple Exchange Rates System. Exchange Rate Regimes in Practice. Theory of Exchange Rate Markets: Exchange Trading, Hedging and Arbitrage. Internal and External Balance Simultaneously- Mundellian Model of Monetary and Fiscal Policies, IS-LM-BP Model with fixed and flexible Exchange Rate.

Unit V

International Economic Institutions and Integration

International Monetary Fund, World Bank and WTO- Objectives, Organization, Functions, Activities and their role in Economic Development of India. The Problem of International Liquidity. Economic Integration-The Theory of Customs Union, its Partial and general equilibrium analysis. Economic Co-operation, Multilateralism and Regionalism- Rise and Fall of Bretton Wood and Emerging International Monetary System, Contemporary Regionalism, Regional Trade Blocks, economic effects and gains from Regionalism, Multilateralism in post WTO Era and global free trade, World towards Deglobalisation.

Reading List:

1. Acharya, R. (2014). International Economics, Oxford University Press.
2. Bhagwati, J. (Ed.) (1981). International Trade: Selected Readings, Cambridge University Press, Mass.
3. Cherunilam, F. (2008). International Economics, The Tata McGraw-Hill Companies, New Delhi. 5th Ed.

4. Jhingan M.L. (2015). International Economics, Vrinda Publications, New Delhi (English & Hindi Version)
5. Kindlberger, C. P. (1991). International Economics, R D Irwin, Homewood.8th Ed.
6. Krugman, P.R. and Obstfeld, M. (1994). International Economics: Theory and Policy, Glenview, Foresman.
7. Mithani, D. M. – International Economics, Himalaya Publication House, Bombay.
8. Vaish, M.C. and S. Singh (2000). International Economics, Oxford and I.B.H. Publishing Company Pt. Ltd., New Delhi.
9. Rana, K.C. and K.N. Verma (2010). International Economics, Vishal Publishing House, Ludhiana. (English & Hindi Version)
10. Salvator, D. (2014): International Economics: Trade and Finance, 11th Ed., John Willey & Sons, Singapore.
11. Soderston, Bo. (1999), International Economics, The Macmillan Press Ltd. London.
12. Swami, K. D. (2008) – International Economics, Scientific Publications, Jodhpur (Hindi Version)