

### 3. INTERNATIONAL ECONOMICS (406503)

#### OBJECTIVES:

- To study the international trade theories and policies.
- To understand principles and theories, which govern the free flow of trade in goods, services and capital – both short term and long-term – at the global level.
- To focus on the basics of balance of payments and various approaches to correct disequilibrium in balance of payments.
- To enrich knowledge on the types of economic integration and international

Sr. No.	Topic and Details	Credits	Lectures	Marks
1	<b>Theories of International Trade:</b> The classical theory – absolute and comparative advantage – real cost and opportunity cost approaches, modern theory of international trade – Heckscher-Ohlin theorem – factor endowment and factor price approaches, Theorem of factor price equalization, empirical testing of theories of comparative cost and Heckscher-Ohlin model and measurement of gains from trade.	1	15	25
2	<b>New Theories of Trade:</b> The product cycle hypothesis, the vent-for-surplus approach, imitation gap theories of trade, intra industry trade, the Neo-Heckscher-Ohlin model, Neo-Chamberlinian models, oligopolistic model – Brander-Krugman model, the reciprocal dumping model, empirical work in intra-industry trade - Balassa index and Grubel-Lloyed Index. Global Value Chains (GVC) Model of International Trade	1	15	25
3	<b>Terms of Trade and Interventions:</b> Concept and types of terms of trade, hypothesis of secular deterioration of terms of trade – its empirical relevance and policy implications for less developed countries. Nominal, effective and optimum rates of tariff, economic effects of tariff under partial equilibrium, effects of tariff under general equilibrium-tariff and non-tariff trade barriers-voluntary export restraints, technical, administrative and other regulations, international cartels, dumping, export subsidies.	1	15	25
4	<b>Balance of Payments and International organizations:</b> Meaning and components of balance of payments, disequilibrium in balance of payments, adjustment mechanisms – elasticity approach, absorption approach, monetary approach and portfolio balance approach, internal and external balance – Swan model, foreign trade multiplier; convertibility of rupee; WTO: globalization vs. nationalist policies, IMF: role and functions -World Bank: structural adjustment.	1	15	25

## **COURSE OUTCOMES:**

After completion of the course the learners will be able to:

- Explain various theories of international trade.
- Understand impact of tariff and non-tariff barriers on international trade.
- Explain various approaches to correct disequilibrium in the balance of payments.

## **References:**

- Barrow, R.J. (1993), Macro Economics, 4th Edition, John Wiley, New York.
- Bhagwati, J. (1988), Protectionism, Cambridge University Press, Mass.
- Bhagwati, J. (Ed.) (1981), International Trade : Selected Readings, Cambridge University Press, Mass.
- Brahmananda, P.R. and V.R. Panchmukhi (Eds.), (1987). The Development Process of the Indian Economy, Himalaya Publishing House, Bombay.
- Carbough, R. J. (1999), International Economics, International Thompson Publishing, New York.
- Chacholiades, M. (1990), International Trade: Theory and Policy, McGraw Hill,