Semester	VI
Paper Number	HECCR6131T
Paper Title	INTERNATIONAL ECONOMICS
No. of Credits	6
Theory/Composite	Theory
No. of periods assigned	5 Theory + 1 Tutorial
Course description/objective	This UG core-course on International Trade intends to provide a strong foundation in the classical and the neo-classical trade theories and enable the student to apply these theories to the analysis of issues in globalization, economic integration and trade policy. Broadly, the objectives are to (a) understand the factors determining the patterns of international trade, (b) analyze if trade is beneficial to all, or, if there are winners and losers from trade, (c) study the structure, conduct and performance of trade policy, and (d) gain familiarity with the world trading system. The course is designed to serve both as a stand-alone course, and as a foundation-course for graduate level study of international economics.
Syllabus	**Module 1 (40 marks)** **1. Basics of trade theory** Arbitrage as basis and direction of trade; fundamental sources of cross-country price differences and arbitrage; concept of comparative advantage; externalities, regulation and perverse comparative advantage; International equilibrium; offer curves, ToT and stability; Gains from Trade (GFT) Theorem; Concepts of Production possibility Frontier and Community Indifference curves; Illustration of GFT; Decomposition of GFT; Substitution possibilities and magnitude of GFT. **2. Technology and Trade (Ricardian Model)** Comparative versus Absolute Advantage, One-factor economy, production possibility frontier, relative demand and relative supply, terms of trade; Trade in Ricardian world, Determination of intermediate ToT, Complete specialization & GFT **3. Factor Endowment & Trade (Heckscher-Ohlin-Samuelson Model)** H-O theorem and physical vs. price definitions of factor abundance; Properties of the HO model: Factor intensity ranking, one-to-one correspondence between commodity price ratio & factor price ratio (Stolper-Samuelson theorem), One to one correspondence between endowment ratio and production proportion (Rybczynsky's theorem); Proof of HO theorem; Taste bias and invalidation of HO theorem; Empirical studies- Leontief Paradox; Effects of trade on factor price and income distribution, factor price equalization, factor intensity reversal & factor price equalization. **Number of Classes per week: 3** **Module 2 (40 marks)**

	4. Trade Policy
	Partial Equilibrium Analysis: Tariff - cost–benefit, Quota, Quota-Tariff equivalence & non-equivalence, effects of tariff, quota, subsidy and voluntary export restraint; General Equilibrium Analysis- distinction between large and small economy, welfare effects of a tariff on small country and large country, Offer curve and ToT, Tariff ridden offer curve, Tariff war, Optimum tariff for large economy, Metzler's Paradox.
	5. Balance of Payments & Exchange Rate
	Balance of Payment accounts in an open economy; Determination of National Income, Transfer problem, Introduction of foreign Country & repercussion effect - open economy multiplier with & without repercussion effect; Fixed &Flexible Exchange Rate: adjustment of demand and supply of Foreign Exchange, Effect of devaluation, Effects of exchange rate on domestic prices and ToT, Marshall-Lerner Condition, J-Curve effect.
	Number of Classes per week: 2
	Tutorial Classes per week: 1
Readings	1. P. Krugman and M. Obstfeld- *International Economics* (8th Edition) ; Pearson Education 2. R. Caves, J. Frankel and R.W. Jones – *World Trades & Payments* (9th Ed); Pearson Education 3. Rajat Acharyya- *International Economics*; Oxford University Press 4. Giancarlo Gandolfo, *International Trade Theory and Policy*, Springer, 2014
Evaluation	Continuous Internal Assessment: 20 marks End- Semester Theory Examination: 80 marks

Paper Structure for End Sem Theory

Module	No. of Questions to be Answered	No. of Alternatives	Marks
Module 1	2	3	5 x 2 = 10
	2	3	15 x 2 = 30
Module 2	2	3	5 x 2 = 10
	2	3	15 x 2 = 30
Total Marks			80