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| Semester | III |
| Paper Number | MECO4301 |
| Paper Title | International Economics |
| No. of Credits | 6 |
| Theory/Composite | Theory |
| No. of periods assigned | 6 |
| Course description/objective | <p>This paper concentrates on some of the vital dimensions of international trade theory under perfect and imperfect competition. It also focuses on the commercial policies in trade and tries to understand the role of regional trading blocks.</p> <p>The students will be made conversant on theories of balance of payments and monetary theory.</p> |
| Syllabus | <p>Module 1: Trade Theory & Policy under Perfect Competition (40 marks)</p> <p>A. Basis of Trade: Absolute vs Comparative Advantage, Gains from Trade</p> <p>B. Ricardian Model of trade- Derivation of World Supply Curve; Multi-country extension, world PPF, Multi-good extension of Ricardian Model-; Dornbusch- Fisher- Samuelson model of continuum of goods</p> <p>C. Specific Factor Model: Output and income distribution, growth in factor endowments, the Dutch disease.</p> <p>D. Heckscher- Ohlin Model ; Rybczynski Theorem; Stolper Samuelson Theorem; Factor Price Equalization; Empirical Tests of H- O Theorem</p> <p>E. Trade Practices:</p> <p>F. Commercial Policy in Trade; Effects of Tariff: Welfare effects; Theory of Optimal Tariff; Metzler's Paradox; Quota and other non- tariff barriers.</p> <p>G. Regional Trading Blocks: Trade creation and Diversion effects</p> <p>Trade under Imperfect Competition`: International Trade, Imperfect competition and Increasing Returns to Scale : IRS and Monopolistic Competition- Intra-industry Trade ; Horizontal Product Differentiation; Vertical Product Differentiation : strategic trade theory and policy.</p> <p>Module 2: Balance of Payments and Monetary Theory (40 marks)</p> <p>A. Intermediate goods, non-traded goods and employment.</p> <p>B. Dependent economy and dynamics of real exchange rate. C Current account and exchange rate dynamics</p> <p>D. Growth , Balance of payments and exchange rate.</p> <p>E. New open economy macroeconomics.</p> <p>F. Speculative attack and currency crisis.</p> |
| Readings | <ul style="list-style-type: none"> • Giancarlo Gandolfo: International trade theory and policy, Springer • Jagdish N. Bhagwati, T. N. Srinivasan and Arvind Panagariya, Lectures on International Trade, MIT Press, 1998 • Kierzkowski (ed.): Monopolistic Competition and International |

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| | <p>Trade, 1984,</p> <ul style="list-style-type: none"> • Paul Krugman, Rethinking International Trade, 1994, MIT press. • P.Krugman and M.Obstfeld- <i>International Economics</i>(8thEdition);Pearson Education • Luis A. Rivera-Batiz, Mario-Angels Oliva: International Trade: Theory, Strategies & Evidence • Rajat Acharyya – <i>International Economics</i>; OxfordUniversityPress • RajatAcharyya, SugataMarjit: Globalisation and Inequality, Economic & Political Weekly(Vol. 35, Issue No 39, 23 Sep, 20000) • R. Jones, R. Caves and J. Frenkel (CJF), World Trade and Payments, 4th edition, • R. Jones, International Trade: Essays in Theory, North Holland,1979. • Dornbusch, Rudiger: Open Economy Macroeconomics • Savno, Lucio and Taylor M P: The economics of exchange rate. • Terra Christina: Principles of international finance and open economy macroeconomics. | | | |
| Evaluation | <p>Continuous Internal Assessment: 20 marks End- Semester Theory Examination: 80 marks</p> | | | |
| 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 |