

CORE COURSE - VIII - INTERNATIONAL ECONOMICS

Module - 1 : Theory of International Trade

The pure theory of international trade – Theories of absolute advantage, comparative advantage and opportunity costs, modern theory of international trade; Theorem of factor price equalization; Empirical testing of theory of absolute cost and comparative cost – Leontief Paradox – Heckscher-Ohlin theory of trade. Kravis and Linder theory of trade, Role of dynamic factors, i.e., changes in tastes, technology and factor endowments in explaining the emergence of trade; The Rybczynski theorem – concept and policy implications of immiserizing growth; Causes of emergence and measurement of intra-industry trade and its impact on developing economies.

Module - 2 : Measurement of Gains and Theory of Interventions

Measurement of gains from trade and their distribution; Concepts of terms of trade, their uses and limitations; Hypothesis of secular deterioration of terms of trade, its empirical relevance and policy implications for less developed countries; Trade as an engine of economic growth; Welfare implications – Empirical evidence and policy issues; The Theory of Interventions (Tariffs, Quotas and non-tariff barriers); Economic effects of tariffs and quotas on national income, output, employment, terms of trade, income distribution; Balance of payments on trading partners both in partial and general equilibrium analysis. The political economy of non-tariff barriers and their implications; nominal, effective and optimum rates of tariffs – their measurement, impact and welfare implications; Trade under imperfectly competitive market.

Module -3 : Balance of Payments

Meaning and components of balance of payments; Equilibrium and disequilibrium in the balance of payments; The process of adjustment under systems of gold standard, fixed exchange rates and flexible exchange rates; Expenditure-reducing and expenditure-switching policies and direct controls for adjustment; Policies for achieving internal and external equilibrium simultaneously under alternative exchange rate regimes; Foreign trade multiplier with and without foreign repercussions and determination of national income and output; Relative merits and demerits of fixed and flexible exchange rates in the context of growth and development in developing countries.

Module - 4 : Globalisation : Trends and Implications

Rise and fall of gold standard and Bretton-woods system; Need, adequacy and determinants of international reserves; Conditionality clause of IMF; Emerging

International Monetary System with special reference to developing countries; Reform of the International Monetary System, India and developing countries.

Theory of short-term capital movements (FDI and FII) and East-Asian Crisis and lessons for developing countries; International trade and financial institutions – Role of GATT/WTO (TRIPS, TRIMS), UNCTAD, IMF, World Bank and Asian Development Bank – Their achievements and failures; WTO and World Bank from the point of view of India.

Module -5 : Trade Policies in India

Trade problems and trade policies in India during the last five decades; Recent changes in the direction and composition of trade and their implications; Rationale and impact of trade reforms since 1991 on balance of payments, employment and growth. Problems of India's international debt; Working and regulations of MNCs in India; Instruments of export promotion and recent import and export policies and agenda for future.

Reference:

1. Bhagwati, J. (Ed.) (1981), International Trade, Selected Readings, Cambridge University Press, Massachusetts.
2. Carbough, R.J. (1999), International Economics, International Thompson Publishing, New York.
3. Chacholiades, M. (1990), International Trade : Theory and Policy, McGraw Hill, Kogakusha, Japan.
4. Dana, M.S. (2000), International Economics : Study, Guide and Work Book, (5th Edition), Routledge Publishers, London.
5. Dunn, R.M. and J.H. Mutti (2000), International Economics, Routledge, London.
6. Kenen, P.B. (1994), The International Economy, Cambridge University Press, London.
7. Kindleberger, C.P. (1973), International Economics, R.D. Irwin, Homewood.
8. King, P.G. (1995), International Economics and International Economic Policy : A Reader, McGraw Hill International, Singapore.
9. Krugman, P.R. and M. Obstfeld (1994), International Economics : Theory and Policy, Glenview, Foresman.
10. Salvatore, D. (1997), International Economics, Prentice Hall, Upper Saddle River, N.J., New York.
11. Soderston, Bo (1991), International Economics, The Macmillan Press Ltd., London.
12. Joshi, V. and I.M.D. Little (1998), India's Economic Reforms, 1991-2000, OUP, New Delhi.