

**Semester VI**  
**B.A. (Honours) Economics**  
**DSE \* (Group-II): INTERNATIONAL ECONOMICS (6 Credits)**  
**Full marks: 100 (Mid Term-20 + End Term-80)**

**Course Description**

This course develops a systematic exposition of models that try to explain the composition, direction, and consequences of international trade, and the determinants and effects of trade policy. It then builds on the models of open economy macroeconomics developed in courses 08 and 12, focusing on national policies as well as international monetary systems. It concludes with an analytical account of the causes and consequences of the rapid expansion of international financial flows in recent years. Although the course is based on abstract theoretical models, students will also be exposed to real-world examples and case studies.

<b>Units</b>		<b>No. of Lecture hours</b>	<b>No. of Tutorial hours</b>	<b>Marks</b>
<b>1</b>	<p><b>International Economics and Trade Theories:</b></p> <p>The subject matter of international economics; Adam Smith's absolute advantage theory, Ricardian law of comparative advantage; Reciprocal demand and Offer curve analysis; Heckscher-Ohlin theorem; The Specific factors model</p>	15	3	16
<b>2</b>	<p><b>International capital flows</b></p> <p>International capital flows – significance and limitations of foreign capital; Foreign portfolio investment; Foreign direct investment, factors affecting direct investment, effects of direct investment; Firms in the global economy — outsourcing and multinational enterprises.</p>	15	3	16
<b>3</b>	<p><b>Trade Policy</b></p> <p>Free trade Vs. protective trade; Political economy of protectionism; Methods of protection - Tariff and non-tariff barriers; Inward looking trade policy and outward looking trade policy and their evaluation.</p>	15	3	16
<b>4</b>	<p><b>Exchange Rate</b></p> <p>Concept of exchange rate, cross exchange rate, spot and forward exchange rates; Demand for and Supply of foreign exchange, Determination of equilibrium Exchange Rate; Fixed and flexible exchange rate systems – Case for and against fixed and flexible exchange rate systems.</p>	15	3	16

<b>5</b>	<b>International Monetary System:</b>  Gold Standard, Inter-war period, Bretton Woods System, Managed floating standard; International Institutions: International Monetary Fund (IMF)-Objectives, functions, achievements and failures; WTO – Objectives, major agreements; Globalization – Meaning and essential conditions for globalization; Challenges of globalization, financial globalization and financial crises.	15	3	16
<b>Total</b>		<b>75</b>	<b>15</b>	<b>80</b>

### Reading List:

1. Paul Krugman, Maurice Obstfeld, and Marc Melitz, *International Economics: Theory and Policy*, Addison-Wesley (Pearson Education Indian Edition), 9th edition, 2012.
2. Dominick Salvatore, *International Economics: Trade and Finance*, John Wiley International Student Edition, 10th edition, 2011..
3. K.C. Rana and K.N. Verma: *International Economics*, Vishal Publishing Co.
4. Sodersten, Bo: *International Economics*, Macmillan Press Ltd.
5. Cherunillam, F.: *International Economics*, Tata Mcgraw Hill.
6. Manur, H.G.: *International Economics*, Vikas Publishing House Pvt. Ltd.
7. Vaish, M.C. & Singh, S.: *International Economics*, Oxford & IBH Publishing Co. Pvt.