

ECO-HE-6026: INTERNATIONAL ECONOMICS

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.

Course Outline

1. Introduction

What is international economics about?, subject matter of International Economics, An overview of world trade- its changing pattern.

2. Theories of International Trade

The Ricardian theory- comparative advantage, Heckscher-Ohlin model, specific factors model, new trade theories- Leontief Paradox, factor-intensity reversal, international trade in the context of economies of scale and imperfect competition, technological gap and product cycle theories; the Locational theory international trade; multinational enterprises and international trade.

3. Trade Policy

Instruments of trade policy- tariff and quota- partial equilibrium analysis; political economy of trade policy- free trade vs. protection; controversies in trade policy.

4. International Macroeconomic Policy

Fixed versus flexible exchange rates; international monetary systems- Gold Standard, interwar period, Bretton-Woods system, European Monetary system; financial globalization and financial crises.

Readings:

1. Paul Krugman, Maurice Obstfeld, and Marc Melitz, *International Economics: Theory and Policy*, Addison-Wesley (Pearson Education Indian Edition), 9 edition, 2012.
2. Dominick Salvatore, *International Economics: Trade and Finance*, John Wiley International Student Edition, 10th edition, 2011.

