

PAPER NO- 17

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. 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? An overview of world trade.

2. Theories of International Trade

The Ricardian, specific factors, and Heckscher-Ohlin models; new trade theories; the international location of production; firms in the global economy — outsourcing and multinational enterprises.

3. Trade Policy

Instruments of trade policy; political economy of trade policy; controversies in trade policy.

4. International Macroeconomic Policy

Fixed versus flexible exchange rates; exchange rate determination; purchasing power parity; asset market approach.

Readings

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.