

## **SEMESTER - V**

### **PAPER NO: 303: INTERNATIONAL ECONOMICS**

#### **Unit- 1: THEORIES OF INTERNATIONAL TRADE**

Introduction of international trade – internal and external trade – merits and demerits. Basic concept of Adam Smith's Absolute Cost Advantage Theory. Ricardo's Comparative Cost Advantage Theory. Multilateral trade and trade with market imperfection. Heckscher-Ohlin Factor Endowment Theory.

#### **Unit- 2: TERMS OF TRADE**

Meaning, types and its importance. Factors affecting terms of trade. Mill's theory of reciprocal demand. Marshall's theory of offer curves. Concept of balance of trade and balance of payments. Favorable and unfavorable balance of payments. Measures to correct unfavorable balance of payments.

#### **Unit- 3: TRADE POLICIES**

Free Trade vs. protection policy. Arguments for protection policy. Tariffs: types and its effects—optimum tariff and protective tariff. Basic concept of dumping and anti-dumping policies. Non-tariff barriers.

#### **Unit- 4: EXCHANGE RATE**

Meaning and types of exchange rates-pegged, partial and flexible exchange rate. Exchange rate policies and determination of exchange rate. Purchasing power parity theory of exchange rate. Inter-relationship between exchange rate, interest rate and inflation rate.

#### **References**

- 1) Kindberger C.P.: International Economics
- 2) Krugmen P.R. & m. Obstgeld: International Economics
- 3) Money, Banking, International Trade & Public Finance: D.M. Mithani
- 4) International Economics: Francis Cherunilam
- 5) International Economics: M.C.Vaish & Sudama Singh
- 6) Sodersten Bo: International Economics