

Paper 23: 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? 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; international monetary systems; 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), 9th edition, 2012.
2. Dominick Salvatore, *International Economics: Trade and Finance*, John Wiley International Student Edition, 10th edition, 2011.

**UNIVERSITY OF DELHI
DELHI SCHOOL OF ECONOMICS
DEPARTMENT OF ECONOMICS**

Minutes of Meeting

Subject	:	B.A. (Hons) Economics – Sixth Semester (2014)
Course	:	18 – International Economics
Date of Meeting	:	13 th December, 2013 & 3 rd January, 2014
Venue	:	Department of Economics, Delhi School of Economics, University of Delhi
Chair	:	Prof. Aditya Bhattacharjea

Attended by:

1. Shikha Gupta, Janaki Devi Mahavidyalaya
2. Awadhesh Kumar, Deshbandhu College
3. Antima Jain, Maiteryi College
4. Akhilesh Kr.Yadav, Satyawati College (E)
5. Gurdeep Kaur, Shivaji College
6. Rajeev Kumar, SRCC
7. D.B.Reddy, Sri Venkateswara.College
8. Naveen Chaudhary, Laxmi Bai College
9. Anamitra Roy Chowdhury, St.Stephen's College
10. Alka Budiraja, Miranda College
11. Pooja Khanna, Daulat Ram College
12. Namrata Yadav, Rajdhani College
13. Dr. Richa Gupta, Kalindi College

It was decided to retain the 8th edition (2009) of Krugman and Obstfeld (hereafter KO) as the only textbook for this year, with the topicwise chapter selections as below. As the 9th edition is not yet available in an Indian edition, and the new 2014 Indian reprint of the 8th edition is an adaptation which omits some material, it was decided not to refer to them. However, teachers are encouraged to review both of them over the next year so that an informed decision can be taken for 2015.

Course Outline

1. Introduction

What is International Economics about? An overview of world trade patterns.

KO, chs. 1 and 2.

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.

KO, chs. 3-7

3. Trade Policy

Instruments of trade policy; Political economy of trade policy; Controversies in trade policy

KO, chs.8 and 9.

4. International Macroeconomic Policy

Fixed versus flexible exchange rates; International monetary systems; Financial globalization and financial crises.

KO, chs. 16, 17, 18, (pp.518-22), 19, 21 (pp.595-606).

Evaluation

The internal evaluation will consist of two class tests of 10 marks each, with 5 marks being allocated for attendance.

The End-semester Examination (75 marks) will have the following format:

- The question paper will have two parts: Part A and B. Part A consists of Topic No. 1, 2 and 3. Part B consists of Topic 4.
- Part A shall have 5 questions (15 marks each) out of which 3 questions to be answered. The following distribution of marks across topics/chapters is agreed upon for Part A: chapter 1, 2 and 3 (15 marks); Chapter 4, 5 and 7 (30 marks); Chapter 6, 8 and 9 (30 marks).
- Part B shall have 3 questions (15 marks each) out of which 2 questions to be answered.
- The weightage for numerical questions in Part A and B together shall be 15 to 20 marks.