

## PAPER-II

### INTERNATIONAL ECONOMICS

#### Unit I

Importance of the study of international economics; Inter-regional and international trade; Theories of Absolute advantage, comparative advantage and opportunity cost; Heckscher-Ohlin theory of trade - its main features, assumptions and limitations.

#### Unit II

Gains from trade - Their measurement and distribution; Trade as an engine of economic growth; Concepts of terms of trade and their importance in the theory of trade; Doctrine of reciprocal demand - its importance and limitations in the theory of trade (offer curve).

#### Unit III

Foreign Trade Policy : Free trade v/s protection, Types of tariffs and quotas; Their impact in partial equilibrium analysis; Free trade and policy of tariffs in relation to economic growth with special reference to India; Concept of optimum tariff, concept of foreign trade multiplier.

#### Unit IV

Concepts and components of balance of trade and balance of payments; Equilibrium and disequilibrium

in balance of payments; consequences of disequilibrium in balance of payments. Various measures to correct deficit in the balance of payments; Relative merits, demerits and limitations of devaluation; Functions of IMF. World Bank and WTO.

#### Unit V

Foreign exchange : Meaning, Theories of Determination of exchange rate - The purchasing power parity theory, Modern theory- the balance of payment theory, Exchange rate policy, fixed v/s flexible exchange rate, Exchange control- Meaning, objectives and methods of exchange control.

#### BASIC READING LIST

- > Kenan, P.B. (1994). *The International Economy*. Cambridge University Press, London.
- > Kindlberger, C.P. (1973). *International Economics* R.D. Irwin. Homewood.
- > Krugman, P.R. and M. Obstfeld (1994). *International Economics Theory and Policy* Glenview, Foresman.
- > Salvatore, D.L. (1997). *International Economics*, Prentice-Hall, Upper Saddle River, N.J.
- > Sodersten, Bo (1991), *International Economics*. Macmillan Press Ltd. London.
- > D.M. Mithani : International Trade.
- > वैश्य एम.सी. एवं सुदला सिंह : अन्तर्राष्ट्रीय अर्थशास्त्र