

B. Com(Hons.): Semester-VI

DSE

BCM621: INTERNATIONAL ECONOMICS

Teaching Scheme	Examination Scheme
Lectures: 4hrs/Week	Class Test – 12Marks
Tutorials: 1 hr/Week	Teachers Assessment – 6Marks
Credits: 5	Attendance – 12 Marks
	End Semester Exam – 70 Marks

Course Objective

The course provides a fundamental understanding about the major principles and theories, which tend to govern the flow of trade in goods, services and capital at the global level. 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.

Course Learning Outcomes

- CO 1: Understand and critically evaluate the interrelationship between the main areas of international economic activity.
- CO2: gain a good working knowledge of the international economic environment
- CO3: recognize the linkages between political, diplomatic and financial developments and their impact on international business.
- CO4: apply the various theoretical aspects of the principles of finance and economics in an international context.
- CO5: gain a good working knowledge of the operations and key issues surrounding cross-border movements of labor and capital, the size and direction of trade flows, and the global economic institutions.
- CO6: understand the role & working various international institutions.

Unit I: Comparative Advantage and Terms of Trade

Internal and International Trade; Concepts of Absolute and Comparative Cost (weaknesses of the Comparative Cost doctrine), Comparative Advantage in terms of Opportunity Cost; Theory of Reciprocal Demand; Terms of Trade; Different Terms of Trade Indexes (Net Barter, Gross Barter, Income, Single and Double Factoral), Factors influencing Terms of Trade.

Unit II: Contemporary Trade Theories

Factor Endowments Theory; Heckscher-Ohlin Theorem and Factor-Price Equalisation Theorem; Leontief Paradox; Factor Intensity Reversal; Trade based on Economies of Scale, Differentiated Products, Technological Gaps, Product Cycles, Differences in Tastes.

Unit III: Balance of Payments

Meaning and Structure of Balance of Payments; Balance and Equilibrium in Balance of Payments; Types and Causes of Disequilibrium; Corrective Measures: Exchange Rate (devaluation/revaluation), Monetary

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measures (expansion/contraction of money supply, exchange control and changes in interest rates) and Fiscal measures (taxes and public spending).

Unit IV: Foreign Exchange and Exchange Rates Market


Foreign Exchange Market: Functions, Instruments and Participants; Theories of Exchange Rate Determination: Purchasing Power Parity theory and Balance of Payments theory (including demerits); Types of Foreign Exchange rates: Fixed and Flexible Exchange Rates, Managed Float, Spot and Forward Exchange Rates; Factors influencing exchange rates; Exchange Rate Policy; Liberalised Exchange Rate Management System; Introduction to Currency Convertibility; Hedging and Exchange Rate Risk Management

Unit V: Regional Economic Integration & International Institutions

Forms, Objectives and Effects of Economic Integration; Trading Blocs: EU, NAFTA and SAFTA (origin, objectives and evaluation); IMF and IBRD: objectives and functions; WTO: objectives and structure; WTO Agreements (AoA, GATS, TRIPS and TRIMS).

Suggested Readings:

- International Economics by Dominic Salvatore
- International Economics by Bo Södersten, Geoffrey Reed
- The Pure theory of International Trade by Miltiades Chacoliades
- Cherunilam, Francis (2008). International Economics, Tata McGraw-Hill, New Delhi.
- Carbaugh, Robert J. (2000): International Economics, South Western Publishers, Cincinnati Ohio.
- Krugman, P.R., Obstfeld, M. and Melitz M. (2015). International Economics: Theory and Policy, Pearson Education, New Delhi.


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