

M.A. 3rd Semester
Paper-306

Time : 3 Hrs.
Max. Marks : 100
External : 80
Internal : 20

INTERNATIONAL TRADE AND FINANCE-1

- Note:** (i) Nine Questions will be set in all and students will be required to attempt 5 questions.
(ii) Question No. 1 will be compulsory and will consist of 8 short answer type questions of 2 marks spread over the entire syllabus (2*8=16 marks).
(iii) For the remaining four questions, students will attempt 1 out of 2 questions from each of the four units (16 marks each).

PREAMBLE

The course provides a deep understanding about the broad principles and theories, which tend to govern the free flow of trade in goods, services and capital — both short-term and long-term — at the global level. Besides, preparing the students about the relevance and limitations of these principles, the contents of the paper spread over different modules, lay stress on the theory and nature of the subject which, in turn, will greatly help them to examine the impact of the trade policies followed both at the national and international levels as also their welfare implications at macro level and the distribution of gains from trade to North and South with particular reference to India. The study of the paper under the present era of globalization will train the students about the likely consequences on income, employment and social standards and possible policy solutions as the world will move into the 21st century.

Unit - I

Theory of International Trade

Classical Theory of International Trade – Theories of absolute advantage, comparative advantage. Neo Classical Theory of international Trade (opportunity costs theory); Modern Theory of International Trade (Heckscher-Ohlin Model).Empirical Testing of theory of Heckscher-Ohlin.

Unit - II

Alternative Theories of International Trade-

Offer Curve Analysis; J.S. Mill's Theory of Reciprocal Demand; Factor Price equalization theorem; Factor Progress and Rybczynski theorem; Kravis and Linder theory of International trade. Trade Under Imperfectly Competitive Markets conditions.

Unit - III

Gains from International Trade

Measurement of gains from trade and their distribution; Concepts of terms of trade, their uses and limitations; Hypothesis of secular deterioration of terms of trade, its empirical effects of relevance and policy implications for less developed countries; Theory of interventions (Tariffs, quotas and Nontariff)-Economic effects of tariffs (Partial and General Equilibrium analysis) Tariff and Stopler Samuelson Theorem .Optimum rates of tariffs – their measurement and effective rate of Protection.

Unit - IV

Growth and Trade

Economic Growth and International Trade-Production effect,consumption Effect,The effects of growth on small countries; The Effects of Growth on Large Countries; Technical Progress and International Trade; Import substitution v/s Export Push; Trade Liberalization:Need and Objectives; Liberalization experience of developing countries with special reference to India.

Basic Reading List

- Chacholiades, M. (1990), International Trade: Theory and Policy, McGraw Hill, Kogkusha, Japan.
- Cherunilam, F. (2008): International Economics, The Tata McGraw-Hill Companies, New Delhi. 5th Ed.
- Dunn R.M. and J.H. Mutt (2000), International Economics, Routledge, London.
- Kindlberger, C P (1991): International Economics, R D Irwin, Homewood.8th Ed.
- Krugman, P.R. and Obstfeld, M. (1994), International Economics: Theory and Policy, Glenview, Foresman.
- Mishra, S.K. and Puri, V.K. (2012), Indian Economy- Its Development Experience, Himalaya Publishing House. 30th Revised Ed.
- Salvator, D L (2001): International Economics, Prentice Hall, Upper Saddle River, New York.
- Soderston, Bo. (1999), International Economics, The Macmillan Press Ltd. London.
- Yarbough, R.J. (1999), International Economics, International Thompson Publishing, New York.

Additional Reading List

- Bhagwati J. (1988), Protectionism, Cambridge University Press, Mass.
- Brahmananda, P.R. and V.R. Panchmukhi (Eds.) (1987), The Development Process of the Indian Economy, Himalaya Publishing House, Bombay.
- Dana, M.S. (2000), International Economics: Study, Guide and Work Book, (5th Edition), Routledge Publishers, London.
- Goldsten, M. (1998), The Asian Financial crisis: causes cure and systematic implications, Institute of International Economics, Washington D.C.
- Hufbauer G.C. and K.A. Elliott (1994), Measuring the Costs of Protection in the United States, Institute for International Economics.
- Jackson, J. (1989),The World Trading System, Cambridge University Press, Mass.

- Joshi, V. and I.M.D. Little (1998), India's Economic Reforms, 1999-2000, Oxford University Press, New Delhi.
- King, P.G. (1995), International Economics and International Economic Policy: A Reader, McGraw Hill International, Singapore.
- Maggi, G. and A. Rodriguez-Clare (1998), "The Value of Trade Agreements in the Presence of Political Pressures," *Journal of Political Economy*, 106, 574-601.
- Mishkin, S.F. (1998), The Economics of Money, Banking and Financial Markets, (5th Edition), Harper Colins Publishers, New York.
- Panagariya, A. (2000), "Preferential Trade Liberalization: the Traditional Theory and new Developments," *Journal of Economic Literature*, 38, 287-331.
- Panchamukhi V.R. and R. Tandon (1987), Money and Finance in World Economic Order (RIS), Indus Publishing Co. Delhi.
- Panchmukhi, V.R. (1978), Trade Policies of India—A Quantitative Analysis, Concept Publishing Company, New Delhi.
- Patel, S. J. (1995), Indian Economy Towards the 21st Century, University Press Ltd., India.
- Pomfret, R. (1988), Unequal Trade: The Economics of Discriminatory International Trade Policies, Blackwell Publishers, Oxford.
- Satyanarayan, B. (1986), India's Trade with Asia and the Far East Countries, B.R. Publishing Corp., New Delhi.
- Vanderbussche, H. and M. Zanardi (2006), "The Global Chilling Effects of Antidumping Proliferation," CEPR Discussion paper. 5597.