

**UNIVERSITY OF MADRAS**  
**M.A. DEGREE PROGRAMME IN ECONOMICS**  
SYLLABUS WITH EFFECT FROM 2023-2024

**501C4A**

**SEMESTER – IV - CORE – X**

**INTERNATIONAL ECONOMICS**

**Course Objectives:**

1. To make the students to understand theories of International Trade.
2. To understand the concept of balance of payments and equilibrium in BOP and to know the functioning of international institutions and its role.

**Unit I: Theories of Trade - I**

Pure Theory of International Trade Comparative Cost Theory - Refinements of Comparative Cost Theory Modern Theory of Factor Endowments – Leontief Paradox- Factor price equalization theorem – Factors Intensity Reversal: The Stolper-Samuelson Theorem and the Rybezynski Theorem.

**Unit II: Theories of Trade - II**

Recent Theories of International Trade Karvi's Theory of Availability – Lindar's Theory of Volume of Trade and demand pattern- Posner's Technological Gap Theory – Vernon's Product Cycle Theory - Kenen's Human capital theory- Intra- Industry Trade – Theory of Imperfect Competition - Strategic Theory – External Economies and International Trade.

**Unit III: Balance of Payment**

Balance of Payments Policies BOP Disequilibrium – Adjustment Mechanism: Elasticity Approach, Absorption approach and Monetary Approach- Expenditure changing monetary and fiscal policy – Monetary and Fiscal policies for internal and external balance: The Swan Model and Mundallian Model- Expenditure Switching Policies and Expenditure Reducing Policies – Foreign Trade Multiplier.

**Unit IV: Foreign Aid**

Foreign Aid and MNCs. Foreign Aid - Types of Foreign aid – Advantages and Disadvantages – Factors determining foreign aid - Foreign Investment – Foreign Direct investment – Types of FDI – FDI Policy of India- Multinational Corporations – Features of Multinational Corporations - Advantages and Limitations of MNCs – MNCs and International Trade.

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**Unit V: Foreign Exchange**

Managing Foreign Exchange Risk Foreign exchange risk - Sources of foreign exchange risk – types of exchange rate risk - Transaction risk, Translation risk, Economic risk Measurement of Exchange Rate Risk - value-at-risk (VAR) model. Methods of managing foreign exchange risk - internal and external techniques- Forward contracts, Money market hedges, Currency futures, Currency Options, Currency swaps.

**Text Books:**

1. D.N. Dwivedi (2013) International Economics: Theory And Policy. Vikas Publishing House ,New Delhi
2. M.L.Jhingan (2016 ) International Economics, Vrindha Publications ,New Delhi

**References:**

1. Francis Cherunillam (2004), International Economics (Tata McGraw Hill, New Delhi).
2. Paul Krugman and Maurice (2013), International Economics: Theory and Policy Obstfeld (New Delhi: Pearson).
3. J.N. Bhagwati (2003), Free Trade Today (Oxford University Press, New Delhi). State Integrated Board of Studies – Economics PG 20.

**Web References:**

1. <https://www.worldbank.org/en/country/eu>
2. <https://www.imf.org/en/Data>
3. <https://www.economagic.com/>

**Course Outcomes (COs):**

Upon Completion of this course, the students will be able to

No.	Course Outcomes	K-Levels
CO1	Understand Theories of International trade	K <sub>1</sub> , K <sub>2</sub> , K <sub>3</sub>
CO2	Learn the Recent Theories in International trade	K <sub>1</sub> , K <sub>2</sub> , K <sub>3</sub>
CO3	Ability to know the concept of Balance of Payments Policies	K <sub>1</sub> , K <sub>2</sub> , K <sub>3</sub> , K <sub>4</sub>
CO4	Assess the working of MNC s, Foreign Aid	K <sub>1</sub> , K <sub>2</sub> , K <sub>3</sub>
CO5	Understand the working of Foreign Exchange	K <sub>1</sub> , K <sub>2</sub> , K <sub>3</sub> ,

K<sub>1</sub> – Knowledge, K<sub>2</sub> - Understand, K<sub>3</sub> – Apply, K<sub>4</sub> – Analyse, K<sub>5</sub> – Evaluate, K<sub>6</sub> – Create.

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**CO-PO Mapping (Course Articulation Matrix)**

<b>CO /PO</b>	<b>PSO1</b>	<b>PSO2</b>	<b>PSO3</b>	<b>PSO4</b>	<b>PSO5</b>
<b>CO1</b>	3	3	3	2	3
<b>CO2</b>	3	3	3	2	3
<b>CO3</b>	3	3	3	2	3
<b>CO4</b>	3	3	3	3	3
<b>CO5</b>	3	3	3	3	3
<b>Weightage</b>	15	15	15	12	15
<b>Weighted percentage of Course Contribution to Pos</b>	3	3	3	2.4	3

**Level of Correlation between PSO's and CO's**

(Suggested by UGC as per Six Sigma Tool – Cause and Effect Matrix)

Assign the value

**1 – Low**

**2 – Medium**

**3 – High**

**0 – No Correlation**