

Indian Institute of Foreign Trade

MBA Program in International Economics

Instructor: Dr Ila Patnaik

Course: International Economics

Objectives : The course aims to provide tools for understanding the implications of policy changes, shocks and disturbances in the international economy. The first part of the course will be devoted to international finance. The second part of the course will focus on theory of international trade. The third part of the course will deal with trade and exchange rate policy in India.

The course would be structured such that part three or the Indian experience will also be woven into the first two parts. Having taught the basic theory, applications will be both from international and Indian experience. The course will be taught primarily in the form of lectures.

Module I: International Finance

The emphasis in this section will be on the determination of the exchange rate:

- the purchasing power parity hypothesis and its variants,
- interest parity,
- impact of capital flows and implications of policy changes for fixed and floating exchange rate regimes

Issues such as management of foreign exchange reserves, sovereign risk, financial crisis, etc. will be covered in this part of the course.

Module II: International Trade

Basic trade theory such as comparative and absolute advantage, factor price equalisation, gains from trade, terms of trade.

Module III: India: Trade and exchange rate regimes

Trade policy and changes, balance of payments, exchange rate policy, foreign investment policy.

Basic Reading List

1. Krugman and Obstfeld, International Economics: Theory and Policy, ch 12-22.
2. Bo Soderston and Reed, International Economics.
3. C.P. Kindleberger, International Economics

References will be given and handouts distributed every week.

Mode of Evaluation

Student participation in the learning process will be encouraged by presentations of papers that will form part of the evaluation. These will mainly be on applications rather than theory. Evaluation for the course will be on the basis of term papers, presentation, assignments, class participation and written exam.

Assignment (2000 words) : 35%

Class Participation: 15%

End term exam: 50%