

PROGRAM FOR DOCTORAL EXAM
PROFESSIONAL FIELD 3.8. ECONOMICS
INTERNATIONAL ECONOMICS^{1*}

1. ***The classical theories of international trade*** (1,2), (1,3), (4,3)
 - Mercantilist views on international trade. The Hume mechanism.
 - A one-factor economy model. The concept of absolute advantage of Adam Smith.
 - Assumptions of the Ricardian model. The concept of comparative advantage in trade.
 - Comparative advantage with many goods, transport costs and non-tradable goods.

2. ***Neo-classical theories of international trade*** (1,8), (1,9), (4,5)
 - A model of a two-factor economy. Assumptions of the Heckscher–Ohlin model.
 - Factor endowments and the Heckscher-Ohlin Theorem.
 - The Factor Price Equalization Theorem. The Stolper-Samuelson Theorem and the Rybczynski Theorem.
 - Empirical tests of the Heckscher–Ohlin model. The Leontief Paradox.

3. ***New theories of international trade*** (4,2), (4,7), (4,8)
 - The gravity model. Applicability of the model.
 - External economies of scale and international location of production.
 - Interregional trade and economic geography.
 - Export decisions, outsourcing and multinational enterprises. Trade costs and dumping.

4. ***International trade policy*** (1,13), (4,9)
 - Tariff restrictions on international trade. Import tariffs. Nominal and effective protection.
 - Non-tariff barriers to imports of goods: import quotas, market sharing agreements, domestic content provisions, technical standards and government procurement provisions.
 - Non-tariff barriers to exports of goods: voluntary export restraints.
 - Financial instruments of the international trade policy. Subsidies.

5. ***Static effects of international trade policy*** (1,14), (4,9)
 - The small and large economy. Consumer surplus, producer surplus and net welfare effects.
 - The effects of an import tariff, import quota and export subsidies on a small and a large economy. Graphic and analytical presentation.
 - A summary of the effects of trade policy.
 - Special cases and case studies.

* The attendance of the course in International Economics at the Faculty of Economics and Business Administration will support the preparation for the PhD exam.

- 6. *The political economy of trade policy*** (1,15), (1,16), (1,17), (4,10)
- The case for free trade. Arguments for free trade.
 - The protectionism. National welfare arguments against free trade.
 - A brief history of international trade agreements. Trade negotiations.
 - Economic integration. Free Trade Areas and Customs Unions. Static and dynamic effects.
- 7. *International financial markets and financial globalization*** (1,21), (4,20)
- Functions and motives for investing in financial markets.
 - Financial markets and financial investors.
 - The international capital market. Structure and instruments of the international capital market.
 - International banking. Financial markets regulations.
- 8. *The foreign exchange market*** (1,20), (4,14)
- The foreign exchange market. The spot and forward market. Participants and motives.
 - The demand and supply of foreign currency assets. Linkages between the exchange rate and the interest rates.
 - Equilibrium in the foreign exchange market. The interest parity.
 - The role of expectations and volatility of exchange rates.
- 9. *The international monetary systems*** (1,29), (4,19)
- The Gold Standard. The evolution of the Gold Standard. Advantages and disadvantages.
 - The Bretton-Woods System of fixed exchange rates. Basic principles.
 - The International Monetary Fund and the World Bank Group.
 - The Jamaica Agreement and the flexible exchange rate system.
- 10. *The European economic and monetary integration*** (1,17), (4,21)
- Key features and phases of the European Monetary System.
 - The European Economic and Monetary Union. The Euro Area.
 - The euro adoption process. Nominal and real convergence. The Convergence reporting.
 - The Theory of Optimum Currency Areas. Advantages and disadvantages of economic integration.
- 11. *Exchange rate regimes*** (1,28), (4,18)
- Advantages and disadvantages of fixed and flexible exchange rates.
 - Central bank interventions. Stabilization policies.
 - Currency Board Arrangements. Advantages and disadvantages. Organization and functioning of the Currency Board Arrangements in Bulgaria.
 - Hybrid exchange rate regimes. Managed floating.
- 12. *The Balance of Payments*** (1,19), (2), (4,13)
- The Balance of Payments. Principles of compilation.
 - The analytical and standard presentation.
 - Balance of Payments accounts. Double accounting.

- The fundamental Balance of Payments identities.

13. The Keynesian approach for short-run analysis of the Balance of Payments (1,24), (2,14), (4,13)

- National income in an open economy. Savings and investments in an open economy.
- Macroeconomic identities in an open economy. The absorption approach to the Balance of Payments.
- Changes in aggregate demand and the Balance of Payments.
- The internal and external imbalances. The repercussions and the multiplier effect.

14. The monetary and portfolio approach to Balance of Payments and the exchange rate over the long run (1,22), (2,14), (4,16)

- The monetary approach to the Balance of Payments. The monetary approach to the exchange rate.
- The fundamental equation of the monetary approach based on the Purchasing Power Parity. Nominal and real exchange rate.
- The portfolio balance approach to the Balance of Payments and the exchange rate.
- The exchange rate and expectations. Exchange rate overshooting.

15. The external debt (3)

- Key features of external debt. Linkages between external debt and economic growth.
- The Balance of payments' gap.
- External debt restructuring.
- Excessive external indebtedness. Key indicators for evaluating external indebtedness.

REFERENCES:

1. Appleyard, D., A. Field (2010), *International Economics*, Eight Edition, McGraw-Hill Irwin, New York
2. International Monetary Fund (2009), *Balance of Payments and International Investment Position Manual*, Sixth Edition:
<https://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>
3. International Monetary Fund (2014), *External debt statistics: guide for compilers and users/Inter-Agency Task Force on Finance Statistics*. – Washington, D.C.
<http://www.tffs.org/pdf/edsg/ft2014.pdf>
4. Krugman, P., M. Obstfeld, M. Melitz (2015), *International Economics*, Ninth Edition, Addison-Wesley, Pearson

Note: The numbers in brackets after each topic indicate the chapter(s) from references that is/are recommended for exam preparation. The above mentioned literature can be found in the Library of the Faculty of Economics and Business Administration.