6 SEM TDC DSE ECO (CBCS) 3 (H)

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(June/July)

ECONOMICS

(Discipline Specific Elective)

(For Honours)

Paper : DSE–3

(International Economics)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Choose the correct answer/Answer the following : 1×8=8

   (a) When there is equal cost difference

      (i) trade can take place with gain to both countries

      (ii) trade can take place at loss to both countries

      (iii) no trade can take place

      (iv) None of the above

(Turn Over)

(b) The policy of free trade was supported by

   (i) Adam Smith

   (ii) J. M. Keynes

   (iii) Karl Marx

   (iv) None of them

(c) The exchange rate at which demand for foreign currency becomes equal to its supply, is called

   (i) equal rate of exchange

   (ii) mint parity

   (iii) equilibrium rate of exchange

   (iv) All of the above

(d) Under which system, gold was taken as the common unit of parity between currencies of different countries in circulation?

   (i) Bretton Woods system

   (ii) Gold standard system

   (iii) Flexible exchange rate system

   (iv) Managed floating system of exchange rate

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(e) If ₹ 100 is required to buy $1, instead of
₹ 90 earlier,

   (i) domestic currency has appreciated

   (ii) domestic currency has depreciated

   (iii) rupee value of import bill will
increase

   (iv) Both *(ii)* and *(iii)*

(f) What is portfolio investment?

(g) Define spot exchange rate.

(h) Mention one feature of an infant
industry.

2. Write short notes on any *four* of the following
(within 150 words each) :   4×4=16

   (a) Principle of Absolute Cost Advantage

   (b) Importance of Foreign Capital for LDCs

   (c) Benefits of Free Trade Policy

   (d) Sources of Foreign Exchange

   (e) Bretton Woods Agreement on Currency
Exchange Rate

3. *(a)* Explain how the theory of comparative
advantage provides a strong argument
in favour of free trade and specialization
among countries. Point out the main
weaknesses of the theory.   8+4=12

Or

(b) Explain how the equilibrium terms of trade are determined by the equation of reciprocal demand. Why is it regarded as an improvement over the comparative cost advantage theory?

8+4=12

4. (a) Define foreign direct investment. Discuss the benefits of foreign direct investment to a home economy. What are the challenges of foreign direct investment?

2+5+4=11

Or

(b) What is outsourcing? Why do the MNCs outsource their operations? Discuss critically the impacts of MNCs on the development of LDCs.

2+3+6=11

5. (a) (i) Discuss the non-tariff barriers that a country imposes on trade.

6

(ii) What are the major economic arguments for protection?

5

Or

(b) Give a brief account of the outward-looking and inward-looking trade strategies. Which one of these two strategies is adopted by India and why?

8+3=11

6. (a) What is meant by foreign exchange rate? "When demand for foreign currency increases, the rate of exchange falls." Explain, how. 3+8=11

Or

(b) Discuss the causes of fluctuations in the rate of exchange. Mention three arguments for flexible exchange rate.

8+3=11

7. (a) Mention the objectives of the International Monetary Fund. Discuss its role in the maintenance of international liquidity and credit facilities. 3+8=11

Or

(b) Write an explanatory note on 'the consequences of globalization for a developing country like India'. 11

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