

FIFTH SEMESTER B.A. DEGREE EXAMINATION, NOVEMBER 2019

(CUCBCSS—UG)

Economics

ECO 5B 10—INTERNATIONAL ECONOMICS

Time : Three Hours

Maximum : 80 Marks

Section A (Objective Type Questions)*Answer all twelve questions.**Each question carries ½ mark.*

1. Wassily Leontief used his input-output table in order to test the :
 - (a) Ricardian theory of comparative advantage.
 - (b) Heckscher - Ohlin theory of comparative advantage.
 - (c) Linder theory of overlapping demand.
 - (d) All of the above.
2. Terms of trade shows :
 - (a) Ratio import duties.
 - (b) Ratio of goods exported and imported.
 - (c) Ratio of prices of exports and imports.
 - (d) None of these.
3. In the Ricardian theory of comparative cost advantage, comparative advantage is measured by looking into :
 - (a) Opportunity cost.
 - (b) Factor endowments.
 - (c) Reciprocal demand.
 - (d) None of these.
4. Tarapore Committee submitted its report on "Full Convertibility on Rupee" on :
 - (a) Current account.
 - (b) Capital account.
 - (c) Both in current as well as in Capital account.
 - (d) None of these.

Turn over

5. The Production Possibility Frontier (PPF) in international trade equilibrium denotes :
- (a) Demand side.
 - (b) Consumption side.
 - (c) Supply side.
 - (d) Trade side
6. According to Heckscher-Ohlin theory comparative cost advantage arises due to :
- (a) Economies of large-scale production.
 - (b) Relative abundance of various resources.
 - (c) Relative costs of labor.
 - (d) Research and development expenditures.
7. An import tariff in general :
- (a) Reduces the export.
 - (b) Reduces the import.
 - (c) Reduces the volume of trade.
 - (d) (b) and (c).
8. Ad valorem means :
- (a) Fixed amounts of money per unit traded.
 - (b) A percentage of the price of the product.
 - (c) A percentage of the quantity of imports.
 - (d) All of the above.
9. Which round of international trade negotiations resulted in the creation of the World Trade Organization ?
- (a) Kennedy Round of 1964-1967.
 - (b) Tokyo Round of 1973-1979.
 - (c) Uruguay Round of 1986-1993.
 - (d) Doha Round of 2003-2007.
10. The currency of the European Monetary System is :
- (a) Dollar.
 - (b) Franc.
 - (c) Pound.
 - (d) Euro.
11. All of the following are debit items in the balance of payments, except :
- (a) Capital outflows.
 - (b) Merchandise exports.
 - (c) Private gifts to foreigners.
 - (d) Foreign aid granted to other nations.

12. Suppose that an Indian television set that costs Rs. 28,000 in India costs \$ 400 in the United States. The exchange rate between the Rupee and the dollar is :
- (a) 1 dollar per 70 rupees. (b) 1 dollar per 1 Rupees.
(c) 1 dollar per 65 rupees. (d) 2 dollar per 70 rupees.

(12 × ½ = 6 marks)

Section B (Very Short Answers)

*Answer any **ten** questions.
Each question carries 2 marks.*

13. Distinguish between FDI and portfolio investment
14. What is meant by international capital flows ?
15. Distinguish between Balance of Payments and Balance of trade.
16. What is meant by managed floating ?
17. What are the important functions of foreign exchange markets ?
18. What are the different accounts of BoP ?
19. Examine why do nations enter into trade ?
20. What are the different types of dumping ?
21. What is meant by Voluntary Export Restraint (VER) ?
22. Distinguish between domestic trade and international trade.
23. Explain the export import policy of Mercantilists ?
24. What is meant by gold standard ?

(10 × 2 = 20 marks)

Section C (Short Essay)

*Answer any **six** questions.
Each question carries 5 marks.*

25. Critically examine the absolute cost theory of international trade.
26. What are the important factors influencing international capital flows ?
27. What are the important arguments in favour and against free trade ?
28. What are the important fiscal and monetary policy instruments to correct Bop disequilibrium ?
29. Examine the relative merits and demerits of flexible and fixed exchange rate systems.
30. What are the important functions of WTO ?

Turn over

31. Evaluate the success and failures of SAARC as a regional economic cooperation model.
32. Critically examine the comparative cost theory of international trade.

(6 × 5 = 30 marks)

Section D (Essay)

Answer any two questions.

Each question carries 12 marks.

33. Critically examine the Hecksher - Ohlin theory of international trade.
34. What are the important functions of IMF ? Assess the performance of IMF from its inception
35. Critically examine the Mint parity theory and BoP theory of exchange rate determination.
36. Explain the nature, scope, importance and subject matter of international Economics.

(2 × 12 = 24 marks)