

**C 63290**

**(Pages : 3)**

**Name.....**

**Reg. No.....**

**SECOND SEMESTER M.A. DEGREE EXAMINATION, JUNE 2014**

**(CUCSS)**

**Applied Economics**

**Core V—INTERNATIONAL ECONOMICS**

**Time : Three Hours**

**Maximum : 36 Weightage**

**Part A**

*Answer **all** questions.*

*Each bunch of four questions carries a **weightage** of 1.*

1. Ricardo's comparative cost theory is based on :  
(a) Labour theory. (b) Capital theory.  
(c) Investment theory. (d) None of these.
2. Hecksher Ohlin theorem is also known as :  
(a) Factor endowment theory. (b) Leontief Paradox.  
(c) Factor Price equation theory. (d) None of these.
3. Leontief paradox is connected with :  
(a) Empirical testing of HO theory. (b) Empirical testing of factor reversal.  
(c) Empirical testing of factor prices. (d) Empirical testing of product prices.
4. WTO is the successor to :  
(a) GATT. (b) GATS.  
(c) GATG. (d) None.

**Multiple Choices :**

5. For a developing country one of the following is very important :  
(a) Income terms of trade. (b) Single factor terms of trade.  
(c) Commodity terms of trade. (d) Double factor terms of trade.
6. Trade diversion takes place under :  
(a) Free trade agreement. (b) Trade agreement.  
(c) Customs Union. (d) Multilateral trade agreement.

**Turn over**

7. Forward exchange rate refers to :

- (a) On the spot.
- (b) Groups.
- (c) Options.
- (d) None of these.

8. Trade creations mean :

- (a) Increase in trade.
- (b) Expansion of trade.
- (c) A rise in domestic trade of single member.
- (d) A shifting of trade from a high cost foreign source to a low cost domestic source.

Fill in the blanks :

- 9. Fundamental disequilibrium takes place under \_\_\_\_\_
- 10. Exchange rate overshooting takes place when \_\_\_\_\_
- 11. When export is greater than imports balance of payment is in \_\_\_\_\_
- 12. Secular terms of trade deterioration hypothesis was developed by \_\_\_\_\_

True or False :

- 13. LAFTA is an example of International cartel.
- 14. The theory of cost curves was formulated by Jacob Viner.
- 15. Bretton Woods twins are IMF and UNCTAD.
- 16. The concept of opportunity cost was developed by Adam Smith.

(16 x 4 = 4 weightage)

### **Part B (Short Answer Questions)**

*Answer any **ten** not exceeding **one** page each.  
Each question carries a weightage of 2.*

- 17. Explain briefly the reciprocal demand theory.
- 18. Explain factor price equalization theorem.
- 19. Examine the factors affecting the terms of trade.
- 20. What is Leontief paradox ?
- 21. Explain Stolper-Samuelson theorem.
- 22. Explain the theory of immiserising growth.
- 23. Explain trade diversion and trade.
- 24. Explain dumping and its consequences in International trade.
- 25. What is economic integration ? Examine its merits.
- 26. What is depreciation ? How it is different from devaluation ?

27. What is an optimum tariff ? Explain it with illustrations.
28. Explain elasticity approach to balance of payment.

(10 x 2 = 20 weightage)

**Part C (Essay Questions)**

*Answer any **three** not exceeding **three** pages each.  
Each question carries a *weightage* of 4.*

29. Critically evaluate comparative cost theory.
30. Describe the **HO** trade model.
31. Define offer curves and mention its features. Describe the equilibrium terms of trade through the use of offer curves.
32. Explain the factor price equalization prices. What are its limitations ?
33. What do you mean by terms of trade ? What are the factors affecting terms of trade ?

(3 x 4 = 12 weightage)