2015

(May)

ECONOMICS

(Major)

Paper : 603

(International Economics)

Full Marks : 80

Time : Three hours

The figures in the margin indicate full marks for the questions.

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

    (a) Mention one factor that cause balance of payments disequilibrium.

    (b) Point out *any one* objective of exchange control.

    (c) Give *one* example of non-tariff barrier.

    (d) What is reciprocal demand ?

(e) Mention one difference between balance of trade and balance of payments.

(f) Under which of the following system does a Government allow the market forces to determine the currency value?
 (i) Rigid exchange rate
 (ii) Flexible exchange rate
 (iii) Standard exchange rate
 (iv) implicit exchange

(g) Which of the following theories states that a labour-rich country should concentrate on production and export of labour-intensive products?
 (i) Ricardian theory
 (ii) Heckscher-Ohlin theory
 (iii) Smith's theory
 (iv) Technological gap model

(h) The domestic support to farmers that are trade distorting said as
 (i) Amber Box measures
 (ii) Green Box measures
 (iii) Blue Box measures
 (iv) None of the above

2. Write short notes on **any four** of the following :

(a) Components of Balance of Payment

(b) Immiserising growth

(c) Significance of foreign capital

(d) Mint Parity theory

(e) Objectives of WTO

(f) Functions of foreign exchange market.

*Answer the following within **500** words each.*

3. (a) Discuss Haberler's restatement of comparative cost theory in terms of opportunity cost. Point out the merits of Habeler's approach over Ricardian approach.   8+3

Or

(b) What is meant by reciprocal demand? Define an offer curve. Explain the process of determination of equilibrium exchange rate with the help of offer curves.   2+2+7

4. (a) Critically discuss Myrdal's theory of backwash effect.   12

Or

(b) What are terms of trade? Discuss Prebisch-Singer views on secular deterioration in the terms of trade.   2+10

5. (a) What is globalisation ? Explain the positive and negative effects of globalisation. 2+9

Or

(b) Distinguish between foreign direct investment and portfolio investment. What are the pitfalls of portfolio investment for a developing country? 4+7

6. (a) (i) What is meant by exchange rate? How is equilibrium rate of exchange determined? 2+5

(ii) Briefly discuss the concepts of spot and forward exchange rates. 4

Or

(b) Discuss the Purchasing Power Parity theory of exchange rate determination. 11

7. (a) (i) What are the main features of Bretton Wood's system ? 7

(ii) Mention the shortcomings of Gold standard. 4

Or

(b) Explain the functions of IMF. Briefly discuss the uses of special Drawing Rights. 7+4

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