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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

- (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

- (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

(4)

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.

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

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(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'.

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