

MA ECONOMICS  
FOURTH SEMESTER  
INTERNATIONAL ECONOMICS  
MEC-402

(Use separate answer scripts for Objective & Descriptive)

Duration : 3 hrs.

Full Marks : 70

( PART-A : Objective )

Time : 20 min.

Marks : 20

*Choose the correct answer from the following:*

*1x20=20*

1. Stolper-Samuelson theorem relates movements in commodity price to:
  - a. Factor reward
  - b. Individual Factor reward
  - c. Transportation cost
  - d. Raw material
2. The net barter terms of trade of a country multiplied by its export volume index gives the:
  - a. Income term of trade
  - b. Gross barter terms of trade
  - c. Real cost term of trade
  - d. Utility term of trade
3. The main cause of trade is due to the differences in price of commodity based on relatively factor endowments and factor prices is stated by:
  - a. Samuelson
  - b. Linder
  - c. Vernon
  - d. Heckscher-Ohlin theory
4. According to Linder there is preference similarity in two different country because of:
  - a. There is equal distribution of income.
  - b. There is factor similarity.
  - c. There is inequality in income distribution.
  - d. No transportation cost.
5. Intra-industry trade take place because of:
  - a. Specialization
  - b. Division of labour
  - c. Globalization
  - d. All the above
6. Which of the following is not a quantitative trade restriction?
  - a. Import quotas
  - b. Voluntary export restraints
  - c. Orderly marketing arrangement
  - d. Sanitary
7. Tariff imposed to reduce the price of other country export is termed as:
  - a. Government procurement
  - b. Import tariff
  - c. Countervailing duty
  - d. Export subsidy
8. Under fixed exchange rate when  $M_S < M_D$  monetary authority will:
  - a. Sell foreign currency
  - b. Neither sell nor buy
  - c. Buy foreign currency
  - d. Government expenditure increase
9. When MP to absorb is less than unity with idle resources then devaluation of currency will:
  - a. Increase export reduce import
  - b. Increase import decrease export
  - c. Lead to full employment
  - d. None of the above

10.  $E_x + M_x > 1$  the devaluation will:
- Worsen BOP
  - Improve BOP
  - No Change in BOP
  - None of the above
11. According to J-curve effect devaluation and elasticity of demand for the export and import commodity and its impact on BOP depend on:
- Income
  - Direction of trade
  - Time
  - Saving
12. If the imported commodity consist of raw-materials and input of industries then the elasticity of demand for import is:
- High
  - Low
  - Unity
  - Infinity
13. Revaluation \_\_\_\_\_ the value of the domestic currency in term of foreign currency.
- Decrease
  - Neither increase nor decrease
  - None of the above
  - Increase
14. Under gold standard the rate at which the currency is convertible to gold is called:
- Mint par
  - Mint bar
  - Mint rate
  - Mint price of gold
15. When the exchange rate is lowered for trade it is called:
- Political adjustment
  - Devaluation
  - Revaluation
  - Fixed exchange rate
16. Import of car by Germany from France will be shown in the BOP under the heading:
- Current account
  - Capital account
  - Visible item
  - Invisible item
17. When monetary authority intervene from time to time to influence the exchange:
- Filthy Float system
  - Dirty Float system
  - Clean float system
  - Crawling Peg system
18. The rate of exchange between two countries is determined by relative price level:
- The mint parity theory
  - Fixed exchange rate
  - Purchasing power parity
  - Floating exchange rate
19. The absorption approach of BOP is the:
- Employment effect of devaluation
  - Income effect of devaluation
  - Elasticity effect of devaluation
  - Expenditure effect of devaluation
20. A product is capital intensive when it use more:
- More labour than capital
  - Equal amount of labour and capital
  - Only capital
  - More capital than labour

**[ PART-B : Descriptive ]**

Time : 2 hrs. 40 min.

Marks : 50

[ Answer question no.1 & any four (4) from the rest ]

- Who propounded the theory of Comparative cost advantage theory? Explain the theory with diagram. 2+8=10
- Explain the logic of factor price equalization in case of free commodity trade. 10
- What is Exchange Rate? Briefly explain the theory of Purchasing Power Parity. 3+7=10
- What is the difference between tariffs and non-tariffs? Mention some non-tariffs barriers of external trade. 5+5=10
- What is the relation between devaluation and elasticity of demand? Explain it with J-Curve Effect. 4+6=10
- What is import substitution? Give some points in support of and against import substitution. 2+8=10
- Explain the functions of World Trade Organization. 10
- Explain the term Foreign Direct Investment. Discuss advantages and disadvantages. 2+8=10

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