

MA ECONOMICS
FOURTH SEMESTER [SPECIAL REPEAT]
INTERNATIONAL ECONOMICS
MEC – 403

**SET
A**

[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs.

Full Marks: 70

Time: 30 mins.

(Objective)

Marks: 20

Choose the correct answer from the following:

1 × 20 = 20

1. When was IMF established?
 - a. 1945
 - b. 1944
 - c. 1946
 - d. 1947
2. How many countries are the members of IMF?
 - a. 188
 - b. 180
 - c. 196
 - d. 192
3. IMF and World Bank were created through
 - a. Yalta Conference
 - b. New Deal
 - c. Treaty of Versailles
 - d. Bretton Woods Agreement
4. Following is the chief objective of the World Bank.
 - a. To assist in the reconstruction by providing capital of productive purpose
 - b. To promote private foreign investment by means of guarantees
 - c. Participation in loans to supplement private investment
 - d. All of them
5. World Bank like other companies issue shares which the member countries must buy according to the relative strength of their economy. Who is the largest shareholder of World Bank.
 - a. Japan
 - b. Germany
 - c. The USA
 - d. United Kingdom
6. European Economic Community (EEC) also called the Common Market was established by the Treaty of Rome on March 25, _____.
 - a. 1951
 - b. 1957
 - c. 1961
 - d. 1967
7. Which of the following members of EU has not changed their national currency with Euro
 - a. UK
 - b. Denmark
 - c. Sweden
 - d. All of them
8. Name the agreement which was signed by the United States, Canada and Mexico towards removing trade barriers?
 - a. SEATO
 - b. CENTO
 - c. NAFTA
 - d. None of them

9. When was GATT replaced with WTO?
 a. 1994
 b. 1992
 c. 1995
 d. 1993
10. WTO comes as the third economic pillar of world-wide dimensions along with the World Bank and _____?
 a. International Monetary Fund (IMF)
 b. International Economic Association (IEA)
 c. International Funding Organization (IFO)
 d. International Development Bank
11. The law of Comparative Cost Advantage is governed by
 a. Increasing returns
 b. Decreasing returns
 c. Constant returns
 d. None
12. Which of the following is not true in case of Relative Factor Price Equalization?
 a. Perfect Competition
 b. Factor mobility
 c. Same technology for two nations
 d. Constant returns
13. Both the nations will engage in autarky in case of
 a. Absolute cost differences
 b. Equal cost differences
 c. Comparative cost differences
 d. Same technology
14. What is the fundamental departure of the Product Life Cycle model from the Heckscher Ohlin Model?
 a. Static nature
 b. Dynamic nature
 c. Trade theory
 d. All
15. There is no optimum tariff when
 a. Home country is large
 b. Foreign country retaliates
 c. There are comparative cost differences
 d. There is decrease in trade volume
16. According to the assumption of absorption approach, devaluation affects the terms of trade of the home country in a
 a. Positive manner
 b. Negative manner
 c. Neutral manner
 d. None
17. The imbalance in the balance of payment of a country is taken care of by the
 a. Current account
 b. Capital account
 c. Accommodating items
 d. Autonomous items
18. Exchange control can play an effective role in the promotion of the country's
 a. Global economic position
 b. Stability of foreign exchange reserve
 c. Trade
 d. All
19. Imposition of an import duty leads to an increase in the production of the
 a. Export item
 b. Import item
 c. Both
 d. None
20. The market forces of demand and supply are ineffective in case of
 a. Import duty
 b. Export duty
 c. Quota
 d. Compound tariff

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(Descriptive)

Time : 2 Hr. 30 Mins.

Marks : 50

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

1. a) Discuss the limitations of the Technological gap model. 3+7=10
b) Was the Product life cycle model able to discuss the limitations?
2. a) Distinguish between revenue effect and market effect of tariff. 5+5=10
b) Explain the use of exchange control in the management of fixed exchange rate system.
3. Explain the rationale for establishing the IMF and World Bank. 5+5=10
4. Explain trade creation and trade diversion along with its implications. 5+5=10
5. Explain Heckscher-Ohlin theory as an improvement over the Ricardian theory of trade. 10
6. a) Discuss the situation of optimum tariff for a large country and small country. 7+3=10
b) What is the main contention of the elasticities approach?
7. a) Explain spot market and forward market. 5+5=10
b) Explain the linkage between both the financial markets.
8. a) Discuss the reason for the formation of customs union. 3+7=10
b) Explain the dynamic effects of customs union.

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