PG Even Semester Exam, May 2025

Economics

4th Semester

COURSE NO. ECO-403

[International Economics]

Full Marks : 70
Pass Marks : 28

Time : 3 hours

The figures in the margin indicate full marks for the questions

Answer five questions, taking one from each Unit

UNIT-I

1. 'Gains from trade is not always a zero sum game' Elaborate. Differentiate between absolute and comparative advantage with example. 10+4=14

2. Explain the production possibility frontier (PPF) under increasing cost condition. What happens to trade equilibrium when nations face increasing costs? 5+9=14

UNIT-II

3. What is factor endowment theory? How does it explain international trade pattern between countries? 5+9=14

4. Discuss effect of capital saving technical progress on output composition and terms of trade. 14

UNIT-III

5. What is foreign exchange risk? How does hedging help cover foreign exchange risk. Discuss. 4+10=14

6. Explain the concept of interest arbitrage parity. How is it achieved in international financial markets? 5+9=14

UNIT-IV

7. Trace the historical evolution of the international monetary system. What were the major features and limitations of the Bretton Woods system? 7+7=14

8. Critically discuss how expenditure switching policy helps in correcting balance of payments disequilibrium. 14

UNIT-V

9. Explain the general equilibrium analysis of tariff imposition in a small open economy. How does it affect production, consumption and welfare? Illustrate with diagram. 14

10. Define and differentiate between optimum tariff and prohibitive tariff. How is the optimum tariff calculated and why might it not be applicable to small countries. 6+8=14

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