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M.Phil./Ph.D. PROGRAMME IN ECONOMICS
Term-End Examination
December 2014

RECE-009 : INTERNATIONAL ECONOMICS

Time : 3 hours   *Maximum Marks : 100*

Note : *Answer the questions from each section as directed.*

SECTION A

*Answer any **two** questions from this section.*   *2×20=40*

1. Explain the Heckscher-Ohlin theory of international trade. How is it different from the Ricardian theory ?

2. What is a Customs Union ? How is it different from an Optimum Currency Area ? Are regional trading blocs promoters of growth ?

3. Explain the working of the fixed exchange rate mechanism under the Bretton Woods system. Why was there a shift to floating exchange rate system ?

4. Evaluate the case for restricting trade because of the presence of 'infant industries'. Briefly analyse the industry and market failure arguments for protection.

SECTION B

*Answer any **five** questions from this section.*   *5×12=60*

5. "Both Adam Smith and David Ricardo suggested that the pattern of the world trade is determined solely by supply conditions." Discuss.

6. What is meant by the theory of reciprocal demand ? How does it provide an explanation of international terms of trade ?

7. How does the Leontief paradox challenge the overall applicability of the factor-endowment model ?

8. How does economies of scale affect world trade patterns ?

9. "Imposition of tariffs lead to economic inefficiencies that reduce welfare." Discuss.

10. Which of the following would result in a greater welfare loss for the home economy :

    (a) An import quota levied by the home government, or (b) a voluntary export quota imposed by the foreign government.

11. In a free market, what factors underline the currency exchange values ? Which factors best apply to long-run exchange rates and which to short-run exchange rates ?

12. Discuss the Marshall – Lerner conditions.