

**RESEARCH DEGREE PROGRAMME IN
ECONOMICS**

Term-End Examination

December, 2017

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. Differentiate between Adam Smith's and Ricardo's theories of International Trade.
2. How do increasing returns to scale facilitate international trade ? Give examples of some sectors to illustrate your answer.
3. Discuss the working of the Gold Standard. Why is the Bretton Woods system considered a variant of the Gold Standard regime ?
4. Discuss the merits and demerits of fixed and flexible exchange rates.

SECTION B

Answer any **five** questions from this section.

5×12=60

5. What is Leontief's paradox ? Does it provide an empirical challenge to the applicability of the factor endowment model ?
6. Explain the following :
 - (a) Optimum Currency Area
 - (b) Currency Convertibility
7. "Trade creation is always welfare increasing while trade diversion may be welfare reducing." Explain in the context of Regional Trade Agreements.
8. Critically evaluate the trend in the inflow of Foreign Direct Investment in the Indian economy since 1991.
9. Why do central banks frequently intervene in the foreign exchange market under floating rate regimes ?
10. Discuss the working of the International Monetary Fund.
11. Explain the market failure argument justifying trade protection.
12. Briefly explain :
 - (a) The Stolper-Samuelson Theorem
 - (b) The Gravity Model of International Trade