LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

M.A. DEGREE EXAMINATION – **ECONOMICS**

FIRST SEMESTER – **APRIL 2025**

PEC1MC05 – INTERNATIONAL ECONOMICS

Date: 03-05-2025 Dept. No. Max. : 100 Marks
Time: 09:00 AM - 12:00 PM

	SECTION A – K1 (CO1)
	Answer ALL the questions **(5 x 1 = 5)**
1	**Choose the correct answer**
a)	The Gravity Model in international trade theory predict______________________. a) Trade is proportional to the distance between countries b) Trade is inversely proportional to the size of economies c) Trade is directly proportional to the size of economies and inversely proportional to the distance between them d) Trade depends solely on comparative advantage
b)	The Heckscher-Ohlin model attributes international trade to________________________________ a) Differences in consumer preferences b) Differences in labour mobility c) Differences in factor endowments d) Differences in economic policies
c)	The specific-factors model in international trade emphasizes___________________________________ a) The role of labor mobility b) The short-term immobility of factors other than labor c) The long-term immobility of all factors d) None of the above
d)	Exchange rate determination in the long run is explained by_________________________________ a) Interest rate differentials b) Purchasing Power Parity (PPP) c) Central bank intervention d) Balance of payment crises
e)	The open-economy monetary trilemma suggests that a country can_____________________ a) Have fixed exchange rates, free capital movement, and an independent monetary policy simultaneously b) Only choose two out of fixed exchange rates, free capital movement, and independent monetary policy c) Avoid inflation with any combination of policies d) Implement trade protection measures

SECTION A – K2 (CO1)	
	Answer ALL the questions **(5 x 1 = 5)**
2	**Answer the following:**
a)	Comparative Advantage
b)	Standard Trade Model
c)	Any two arguments against free trade
d)	Purchasing Power Parity
e)	Causes of East Asian financial crisis
SECTION B – K3 (CO2)	
	Answer any THREE of the following in 100 words each. **(3 x 10 = 30)**
3	Discuss the impact of tariffs and non-tariff barriers on international trade.
4	Evaluate the arguments for and against activist trade policy.
5	Describe the Gravity model of international trade
6	Comment on the political economy of trade and its implications on global trade.
7	'Central bank intervention can stabilize exchange rates in the short run' - Comment.
SECTION C – K4 (CO3)	
	Answer any TWO of the following in 200 words each. **(2 x 12.5 = 25)**
8	Compare and contrast the Ricardian model of trade with the Heckscher-Ohlin model
9	Discuss the effects of economies of scale on international trade using suitable examples.
10	Evaluate the role of international trade negotiations (e.g., WTO, regional agreements) in shaping global trade policy.
11	a) Explain the concept of Purchasing Power Parity (PPP) and its usefulness in exchange rate determination. (7.5 marks) b) What are the limitations of PPP in practice? (5 marks)
SECTION D – K5 (CO4)	
	Answer any ONE of the following in 500 words **(1 x 15 = 15)**
12	Determine the relative wage in a multi-good model.
13	Discuss the implications of the floating exchange rate system for global trade.
SECTION E – K6 (CO5)	
	Answer any ONE of the following in 1000 words **(1 x 20 = 20)**
14	Analyze the East Asian financial crisis, its causes, and policy responses
15	Evaluate the impact of trade liberalization on economic growth and inequality in developing countries.
