

Bachelor of Arts Examination, 2022
UG (Third Year, Sixth Semester)
Economics (Honours)
UG/ Eco/ DSE 6.1/2
Issues in Open Economy

Total Marks: 30

Time: 2 hours

Answer any three from the followings:

1. Explain the impact of expansionary monetary policy on national income and domestic interest rate of an open economy considering the portfolio choice theory of exchange rate determination (under uncovered interest parity). 10

2. Describe the commodity diversification and trade partners' diversification of Indian export and import during the financial year 2021-2022. Explain 'though India has fourth largest foreign exchange share, but still its economic position is vulnerable'. 5+5=10

3. Country A and Country B both suffer from unemployment and trade deficit. An expansionary fiscal policy accompanied with devaluation solves the problem of country A but aggravate inflation in country B. Explain why. 10

4. Prove that the efficacy of imposition of import tariff in controlling trade deficit increases if the country has inelastic import demand under pegged exchange rate regime. 10

5. Write the short notes 5+5 = 10
 - a. Immiserizing growth
 - b. Relative purchasing power parity