



Chhatrapati Shahu Ji Maharaj
University, Kanpur

Answer Script Details
Barcode 11062031

Roll No. 24023000043
Total Mark 54/75.00

Exam MA-III_ODD_EXAM_NOV_2025
Subject A080901T - Internation Economics

Question wise Mark Summary

Q.No Mark Q.No Mark Q.No Mark Q.No Mark

1A 4/5

1B 3/5

1C 3/5

1D 4/5

1E 4/5

1F 4/5

1G 3/5

1H 3/5

1I 4/5

2 0/15

3 0/15

4 10/15

5 0/15

6 0/15

7 12/15

8 0/15

9 0/15

Chhatrapati Shahu Ji Maharaj University Kanpur, Uttar Pradesh

PART-I

Date of Exam: 15/11/25 Shift: 3rd Room No. 206
 Paper Code: A080901T Subject: Economics Year/Sem: 3rd
 Name of Candidate: Shreya Yadav

Roll No: 24023000043

Signature of Candidate: *Shreya*
 Signature of Invigilator: *Vish*
 COE Facsimile: *Sh*

PART-II

MARKS OBTAINED										
Q.	1	2	3	4	5	6	7	8	9	10
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Total										
Total Marks in Figures							Max. Marks			
Total Marks in Words										



A080901T
Paper Code

Signature of Evaluator

PART-III

Course: MA
 Session: 2025-26 Year/Semester: 3rd
 Subject: Economics


Paper Code: A080901T
 Exam Date: 15/11/2025
 Name of Candidate: SHREYA YADAV
 Father's Name: FATEH BAHADUR SINGH YADAV

कॉलेज का कोड College Code: EN004
 परीक्षा केंद्र का कोड Exam Centre Code: EW004

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V	J	9	9	9	9

परीक्षा का प्रकार Type of Exam: Regular Ex-Student
 Private Best paper Exam

ANSWER BOOKLET NO. 11062031
 Paper Code: A080901T



PART-IV

Enrollment Number: CSJMA24000063553
 Candidate's Roll Number: 24023000043

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Paper Code: A080901T

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S	9	9	9	9	9	9	9
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Signature of Candidate: *Shreya*
 Signature of Invigilator: *Vish*
 C.S Facsimile: *Shreya*
 COE Facsimile: *Sh*

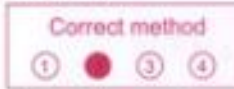
शेड : 1. परीक्षार्थी को निर्दिष्ट किया जाता है कि आवरण पत्रों से कुछ भाग पर उचित सभी निर्देशों को आवश्यकता पूर्णक करें।
 2. शीट में चर्ची करने वाली उचित/अवैध तरीकों से मुद्रक को नुकसान हो सकता है। 3. शीटों को कानून या नीति अधिनियम से भंग न करें।

INSTRUCTIONS TO THE CANDIDATE FOR FILLING PART-I

1. Read the instructions carefully given on the answer script and admit card.
2. Write Date of Exam, Shift, Paper Code & Name of Subject Correctly.
3. Write Name & Roll No. Correctly.
4. Write Semester & Branch Correctly.

INSTRUCTIONS TO THE CANDIDATE FOR FILLING PART-III

1. Use blue or black ball point pen for writing alphabets & numerals in Boxes.
2. Carefully study the example before you start marking.
3. As shown in the example below blacken the circles completely.



4. Make no Stray marks on this sheet.
5. DO NOT WRITE OR MARK ON THE BAR CODE.

IN ORDER TO AVOID UFM (UNFAIR MEANS):

1. The Roll No. and Answer Book no. found elsewhere or any other symbol found in the answer book will be treated as unfair means.
2. Any tempering of Bar Code and Booklet no shall be treated as Unfair Means.
3. Do Not bring the materials like slip of paper/mobile/digital diaries/ study material/ revision notes in examination hall. Possession of the mobiles/ digital diaries/ electronic watch and any other electronic gadget except memory less scientific calculator shall be considered as UFM case.
4. Do not keep or paste currency note in answer script it shall be consider as UFM.

अनुचित साधन से बचने हेतु:

1. उत्तर पुस्तिका के निर्दिष्ट स्थान को छोड़कर अनुक्रमांक एवं उत्तरपुस्तिका का क्रमांक कहीं और न लिखें तथा कोई भी चिन्ह न बनायें क्योंकि यह अनुचित साधन प्रयोग की परिधि में आता है।
2. उत्तर पुस्तिका के बारकोड अथवा उत्तर पुस्तिका संख्या पर छेड़ करने पर अनुचित साधन प्रयोग माना जायेगा।
3. परीक्षा कक्ष में निम्न वस्तुएं साध न लायें, जैसे लिखे हुए कागज के टुकड़े, मोबाईल, डिजिटल डायरी, कॉपी, पुस्तक यह सभी वस्तुएं जो अनुचित साधन के अन्तर्गत आती हैं। केवल संबंधित प्रश्नपत्र में ही मेमोरी लेस साइंटिफिक कैलकुलेटर ले जाने की अनुमति होगी।
4. उत्तर पुस्तिकाओं में संपर्क न रखें न ही उत्तर पुस्तिका में चिपकार्य। ऐसा करना अनुचित साधन प्रयोग की परिधि में आता है।

परीक्षार्थी के लिए निर्देश

1. प्रवेश पत्र एवं उत्तर पुस्तिका पर दिये गये निर्देशों को ध्यान से पढ़ें।
2. कवर पृष्ठ के दूसरी तरफ कुछ न लिखें।
3. उत्तर पुस्तिका के पृष्ठों पर दोनों तरफ लिखें।
4. प्रश्न पत्र पर अपने अनुक्रमांक के अतिरिक्त कुछ न लिखें।
5. प्रश्न पत्र कोड एवं प्रश्न पत्र कोड सहाय्याणी पूर्वक लिखें।
6. अपनी स्थिति स्पष्ट लिखें।
7. उत्तर पुस्तिका के पृष्ठों की संख्या देखें। अगर उत्तर पुस्तिका में पृष्ठ (1-24) से कम है या फटे हुए हैं, तो परीक्षा शुरू होने के पूर्व दूसरी उत्तर पुस्तिका ले लें।
8. प्रश्नपत्र को देख, यदि प्रश्नपत्र के विषय कोड, विषय का नाम तथा प्रश्न में कोई त्रुटि है तो उसके परीक्षा शुरू होने के 30 मिनट के अन्दर का निरीक्षक को तत्काल सूचित करें, उसके बाद विश्वविद्यालय द्वारा को-कार्यवाही नहीं की जायेगी।
9. प्रश्नों के उत्तर लिखने के लिये पेंसिल का प्रयोग न करें।
10. B कॉपी या अतिरिक्त शीट नहीं दिया जायेगा।

INSTRUCTIONS TO THE CANDIDATE

1. Read the instructions carefully given on the Question Paper Admit Card & Answer Script.
2. Do not write anything on back side of the cover page.
3. Write on both sides of pages of answer book.
4. Do not write anything on question paper except Roll Number.
5. Write Paper Code & Question Paper Id carefully.
6. CHECK the number of pages (1-32) or any other kind of damage in your answer script, if found than change the answer script immediately before the commencement of examination.
7. CHECK the Question Paper for any kind of discrepancy e.g Subject Code, Subject Name and Question of the Question Paper during first THIRTY MINUTES of the commencement of the exam, so that it can be corrected in TIME. After that no corrections shall be entertained by the university.
8. Do not use pencil for answering the question.
9. Write status correctly e.g. those appearing in carry over paper should fill in status as Carry Over. Those appearing as Ex Students should fill in status as ex.
10. No supplementary answer book & graph paper will be provided.

INSTRUCTIONS TO THE CANDIDATE FOR FILLING PART-IV

1. Use blue or black ball point pen for writing alphabets & numerals in Boxes.
2. Use blue or black ball point pen for filling the circles.

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Note - if your Roll No. is of 10 digits. Please leave first three columns



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Section - A

Question 1 (A)

Free Trade:-

It refers to the international trade system in which goods, services, & capital move across national borders without government imposed restrictions such as tariffs, quotas, subsidies, or licensing requirements. The central idea is to allow market forces and not governments to determine production, prices & trade patterns. It rests on the belief of voluntary exchange b/w nations increases overall welfare.

Key features of free trade:-

1) Absence of trade barriers

In free trades there are no tariffs, quotas, subsidies, or licensing restrictions. Trade is governed by competition & not artificial barriers.

2) Free movement of goods & services

Prices reflect global supply and demand, enabling efficient distribution of outputs across the country.

3) Free movement of capital

Foreign investment flows freely across borders.



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4) Competition & Price transparency

Free trade encourages healthy competition leading to lower prices, better quality & innovation.

5) Specialisation & Division of Labor

Countries produce goods in line with their comparative advantage achieving higher productivity.

Advantages of free trade :-

- 1) Efficient global resource allocation.
- 2) Lower price, more productivity & better quality.
- 3) Higher Economic Growth for nations.
- 4) Technological transfers leading innovations.
- 5) Increased employment opportunities across nations.

Disadvantages of free trade :-

- 1) Harm to infant industries
- 2) Widening income inequality
- 3) Deterioration of terms of trade
- 4) Cultural erosion
- 5) Many goods cannot & should not be heavily relied on imports like food, & defense etc.



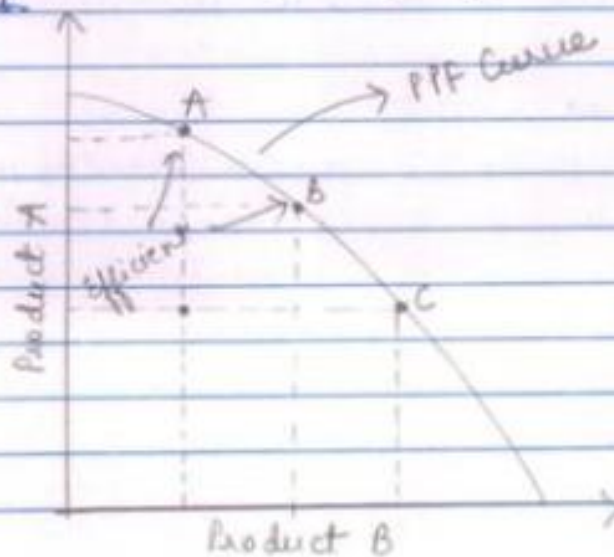
Question 1 (B)

Production Possibility Curve:-

The production possibility curve (PPC) also called as Production Possibility Frontier (PPF) is a graphical representation that shows the max. combination of two goods an economy can produce with the available resources & technology.

Assumptions of PPC

- 1) Fixed resources - Land, Labor, Capital are constant.
- 2) Fixed technology - No improvement during the period.
- 3) Full & efficient utilisation of resources. ✓
- 4) Two good economy - only two goods are produced.
- 5) Resources are not equally efficient - in producing both goods.





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Question 1(c)

Balance of Trade

The Balance of Trade refers to the difference b/w the value of a country's visible exports & visible imports during a specific period. It forms a major component of the Current account of the Balance of Payments.

$$\text{BoT} = \text{Export Value} - \text{Import Value (for goods only)}$$

BoT includes only visible items, i.e. physical goods traded across borders. These include manufactured goods, agricultural produce, raw materials, machinery, textiles, petroleum products etc. It excludes visible items such as services, remittances, & income payments.

Economic Significance of BoT

(a) Indicator of External Stability

BoT is a quick indicator of a country's ability to earn foreign exchange through trade in goods. A strong surplus reflects competitiveness & healthy industrial capacity.

(b) Impact on currency value

A surplus strengthens domestic currency



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05

due to higher demand for the country's exports. A deficit puts downward pressure on the currency due to increased demand for foreign goods.

c) Influence on Industrial & Trade Policies

BoT trends influence tariff decisions, export incentives, import restrictions, and industrial strategy. Persistent deficits often trigger policy reforms to boost exports.

Factors influencing Balance of Trade :-

- a) Domestic and Global Prices
- b) Exchange rate movements
- c) Global economic conditions
- d) Structure of the Domestic Economy.

The Balance of Trade is a vital indicator of a country's external economic health, showing whether it earns enough from exports to cover its important needs.



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Question 1 (D)

Leontief Paradox

It is one of the most important empirical challenges to classical trade theory, particularly the Heckscher-Ohlin (H-O) model, the H-O model predicts that the countries export goods that use their abundant factor intensively and import goods that use their scarce factor intensively. In the early 1950s, the US was universally regarded as the world's most capital-abundant nation. Therefore, according to H-O, the US should have exported capital-intensive goods & imported labor-intensive goods.

However in his study, Wassily Leontief applied input-output analysis to US trade data & derived the opposite result. He found that US exports were more labor intensive while imports were more capital intensive relative to domestic production. This empirical finding contradicted the central prediction of the H-O model and became known as the Leontief Paradox.

Various explanations were proposed to this paradox, one being labor heterogeneity. The



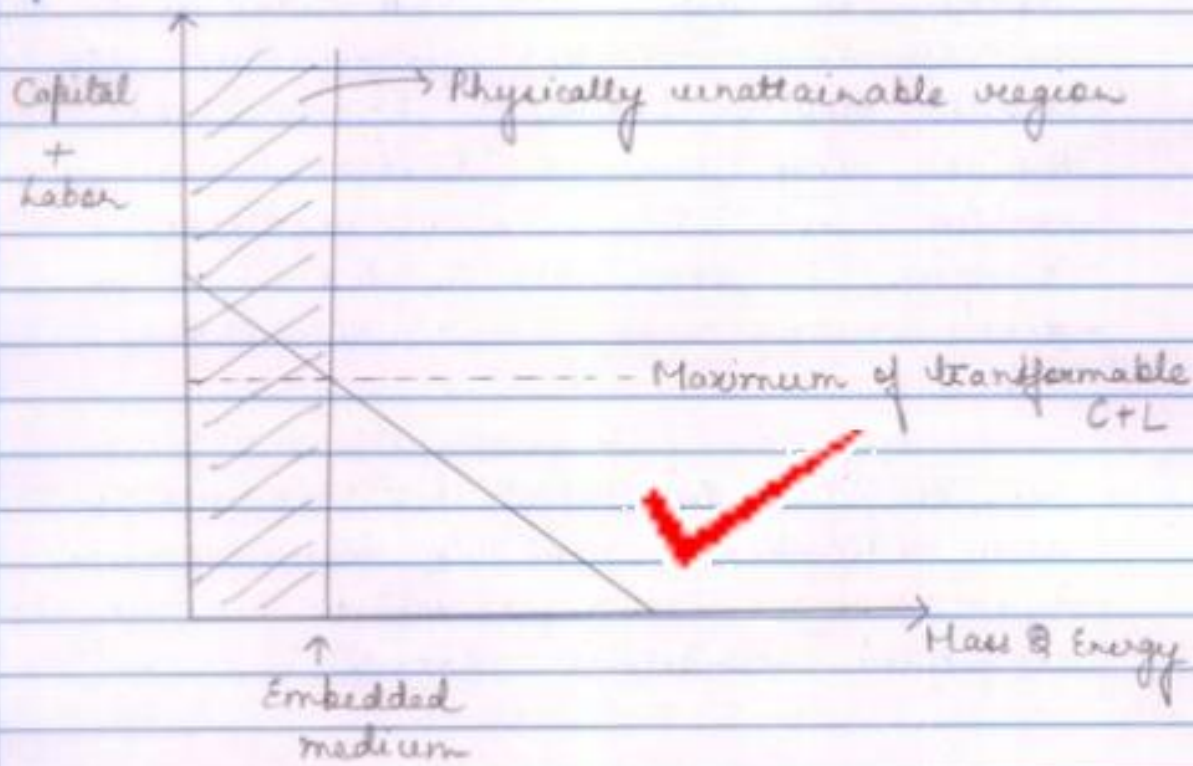
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U.S. labor in the post war period was far more skilled and human-capital rich than labor in most trading partner countries. When labor is disaggregated into skilled and unskilled categories, the US exports became human-capital intensive, consistent with human capital American factor abundance.



Ultimately, the paradox exposed the limitations of simple two factor models and paved the way for modern trade theories including models regarding human capital, product differentiation etc. Its major significance lied in broadening its analytical foundations.



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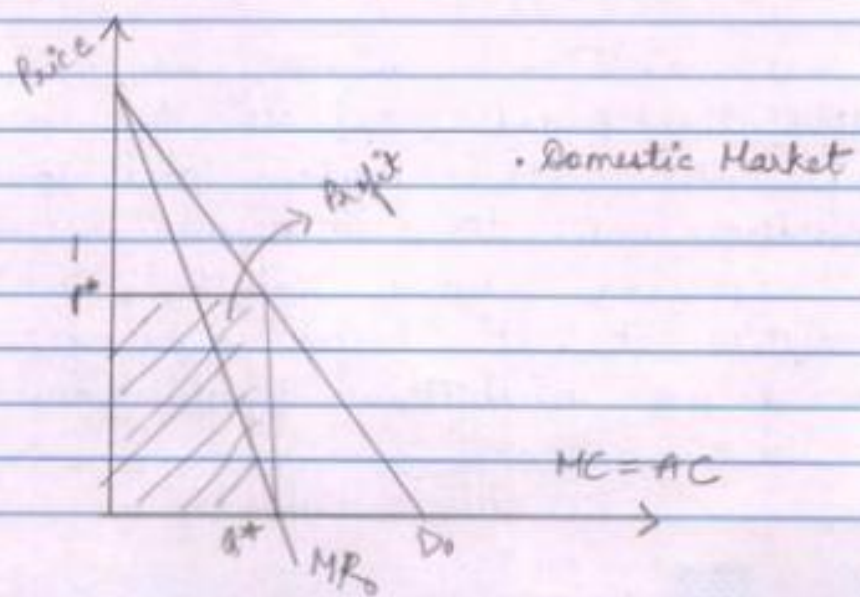


Questions (E)

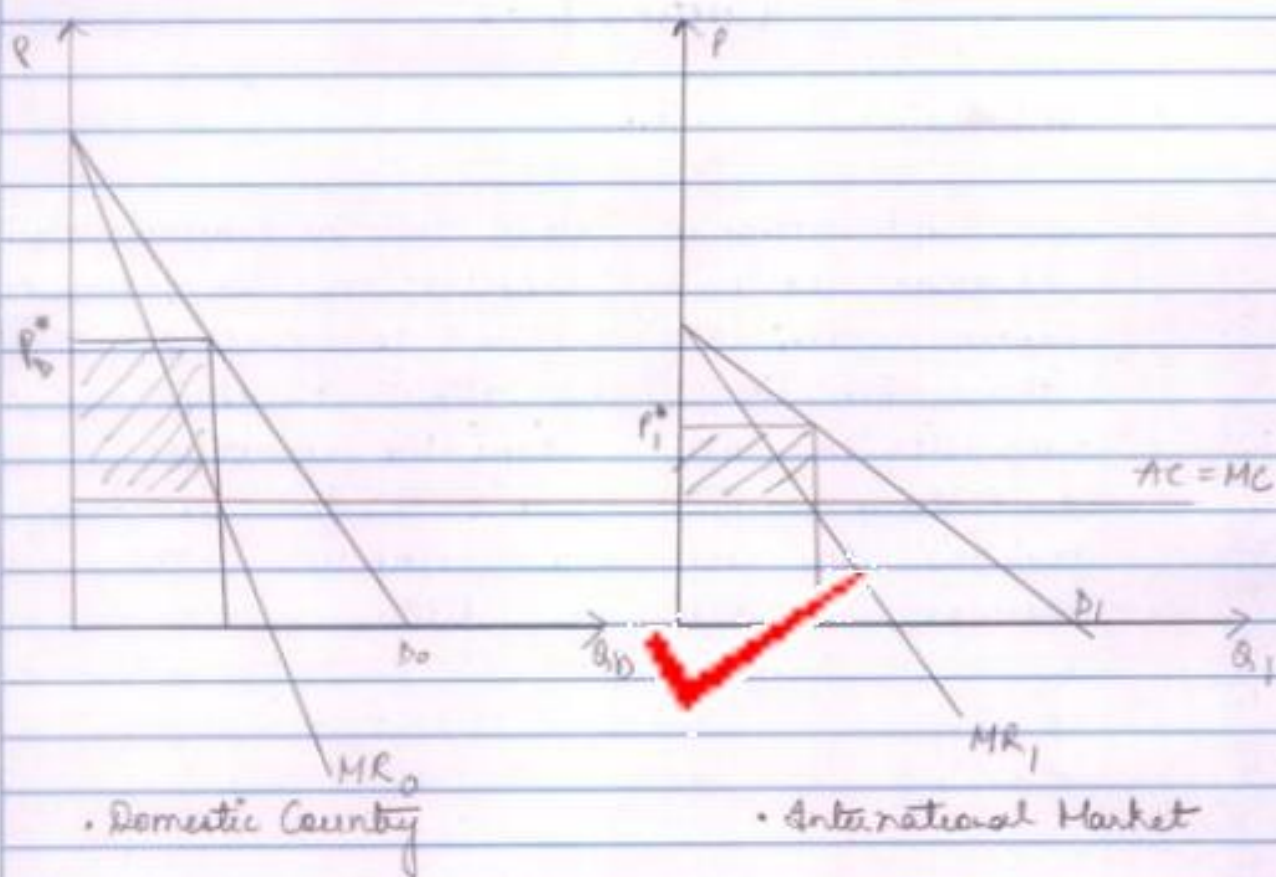
Dumping

Dumping refers to the practice where a country exports a product at a price lower than its normal value, mostly below the price it charges in its domestic market, or even below its cost of production. The primary intention is usually to capture foreign market share, weaken foreign competitors, or dispose of temporary surplus. In international trade theory, dumping is considered a form of price discrimination across national borders.

Economically, dumping emerges from most commonly under imperfect competition particularly when exporting firms possess market power at home but face more competitive conditions abroad.



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The effects of dumping are mixed. For the importing country, consumers initially benefit from lower prices and increased variety but domestic industries may suffer losses, reduced market share, & potential exit from the industry. In the exporting countries firms may gain economies of scale and greater market power, though sustained below cost pricing can be financially burdensome.



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Question 1 (A)

International Cartels:

An international cartel is a formal or informal agreement b/w firms or producers from multiple countries to co-ordinate their behaviour in global markets.

Such co-ordination typically involves controlling output, fixing prices, dividing markets or restricting competition to increase collective profits.

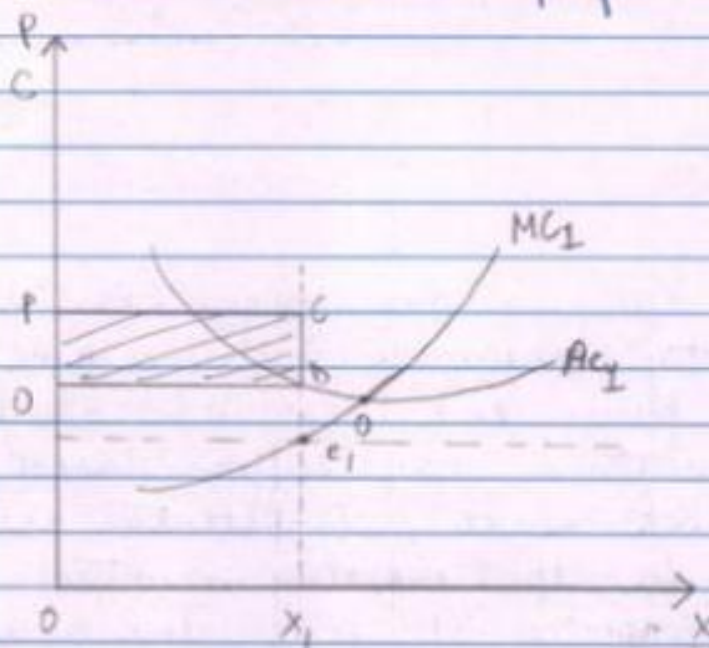


Fig. 1.

The economic rationale behind its formation are:-

- (a) High concentration ratio
- (b) Significant entry barriers.



- c.) Standardised Products
d.) High Sunk Cost.

The fig. explains profit max. in two firm cartel.

Fig 1 & 2 show each firm's cost conditions separately. It shows each firm's marginal cost (MC_1, MC_2) & optimal output where MC equals the cartel set marginal revenue.

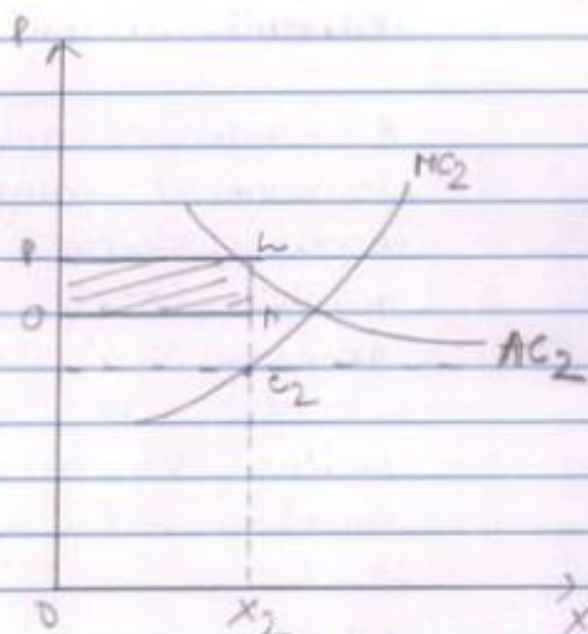


Fig 2.

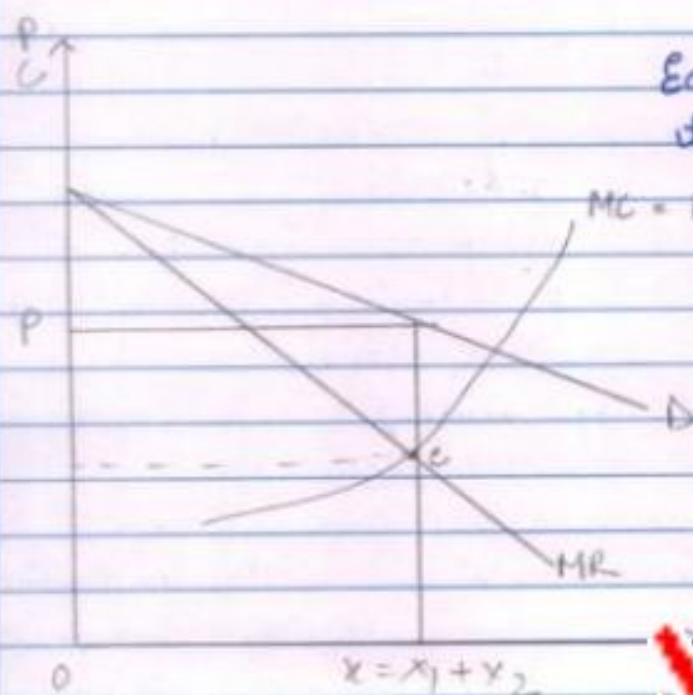


Fig 3.

Each firm produces at the point where $MR = MC$, earning a shaded profit.

Fig 3 combines both firms MC curves horizontally to form the industry $MC = MC_1 + MC_2$.

The cartel maximizes total profit, the output is then allocated b/w firms.

in then allocated b/w firms.



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Question 1. (4)

Customs union

A customs union is an advanced form of regional economic integration in which member countries including tariffs, quotas, trade barriers on goods traded among themselves are eliminated while simultaneously adopting a common external tariff (CET) on imports from non-member countries. This dual commitment, internal free trade and external uniformity, distinguishes a customs union from a free trade area, where members retain independent external tariff policies.

The primary economic rationale behind a customs union is to create a larger, more efficient international market. The removal of internal barriers allows firms to access a broader consumer base, achieve economies of scale, utilise resources more efficiently, and strengthen their competitive position. By adopting a CET, the union prevents trade deflection where imports would otherwise enter through the member with the lowest external tariff. The CET ensures a harmonised



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trade policy, simplifying negotiations with non members and often enhancing the union's bargaining power in global trade forums.

A customs union generates two central effects. Trade creation occurs when high cost domestic production within a member state is replaced by lower cost imports from another member improving overall welfare. In contrast, trade diversion arises when low cost world suppliers are replaced by higher cost imports from member nations because of the CET, potentially reducing global efficiency. The balance between these effects determines the union's net economic output.

Customs union also fosters deeper integration by encouraging co-ordination in standards, competition policy, and eventually labor and capital mobility.





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Answer 1 (H)

Protection Policy :

A protection policy refers to a set of government measures designed to shield domestic industries from foreign competition by restricting or discouraging imports.

It involves tools such as tariffs, quotas, import licensing, subsidies, voluntary export, etc.

Protection arises from the recognition that free trade may not always deliver desirable outcomes.

Key instruments of Protection Policy -

(a) Tariffs

Taxes imposed on imported goods increase their domestic price, giving local producers a competitive edge.

(b) Import Quotas

Quantitative limits restrict the volume



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of imports, allowing domestic firms to capture a large market share.

(c) Subsidies to Domestic Firms

Export subsidies, production subsidies, and tax concessions reduce costs & strengthen competitiveness.

(d) Import Licensing

Government restricts imports through permits controlling both quantity & source of imports.

(e) Exchange Control Measures

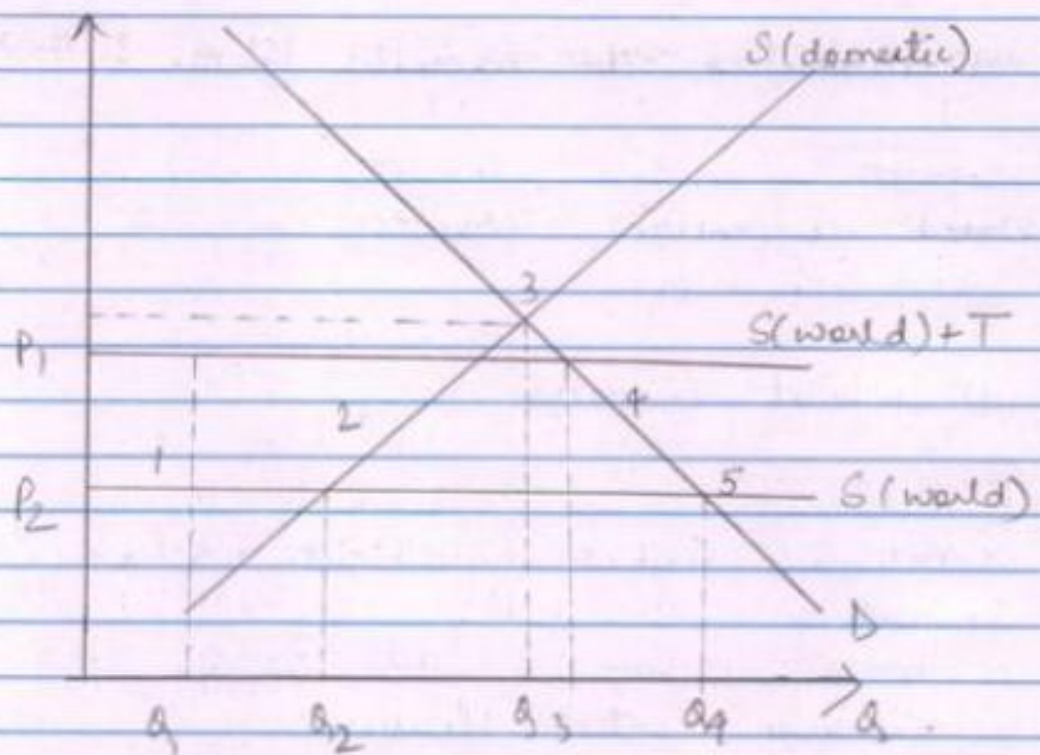
Regulation of foreign exchange availability restricts imports of non essential items





Section A Questions (I)

Free Trade Area



A free trade area (FTA) is a form of regional economic integration in which member countries eliminate tariffs, quotas, trade ~~distortions~~, each country retains its own independent external tariff policy towards non-members.

Thus, goods move freely within the bloc, but each member maintains sovereignty over its external trade policy.



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Section-B

Question-4

Arguments in favour of a policy of protection

1.) Infant Industry Argument

New & emerging industries lack the experience, scale, tech, & cost efficiency to compete with established foreign products.

Protection (via tariffs/quotas) allows such industries time to grow, achieve economies of scale, improve productivity, and become globally competitive. Without protection they may collapse prematurely.

2.) Diversification of the Industrial Structure

Protection encourages a country to develop a wide base of industries reducing over dependence on a few sectors like agriculture or raw materials.

A diversified industrial base strengthens long term stability, job creation and technological progress.



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3) Employment Generation :

Tariffs & import restrictions stimulate domestic production which in turn creates direct and indirect employment.

In labor-surplus economies, protection becomes an essential tool to reduce unemployment & raise household incomes.

4) Safeguarding National Security & Strategic Industries:

Certain industries - defense, telecommunication energy - must be  domestically viable for national security reasons.

Protection shields these sectors from foreign dominance & maintains strategic autonomy.

5.) Preventing Dumping & unfair competition

Foreign firms may dump goods at artificially low prices to capture markets.

Protection prevents domestic industries from being betrayed by such predatory pricing.



6.) Improving Balance of Payments

Limiting imports reduces foreign exchange outflows & helps correct BoP deficits.

Protection encourages domestic production of previously imported goods, strengthening external stability.

7.) Promoting Industrial and Economic Development

Developing countries often use protection as a development strategy to nurture manufacturing sectors.

Industrialisation creates higher value added output, strong forward-backward linkages, & sustained growth.

8.) Revenue Generation for Govt. Government

Tariffs are a major source of revenue especially in developing economies where income collection is limited.

Protection thus helps build fiscal capacity for public goods, infrastructure & welfare.



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9) Avoiding overdependence on Foreign Nations:

Excessive reliance on imports, especially for essential goods, makes a country vulnerable to external shocks.

Protection ensures a self-reliant domestic supply base.

10) Terms of Trade Improvement

For large countries tariffs can improve the terms of trade by lowering the world price of imports, allowing country to extract better value.

11) Correcting Market Failures.

Foreign firms may enjoy subsidies, cheaper credits, or state support unavailable to domestic firms.

Protection neutralizes such distortions & ensures domestic firms can compete on equal footing.



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Section-C

Question 7.

Monetary Approach of Balance of Payments.

The monetary approach to the balance of payments (MABP) views balance of payments imbalances not as a problem of trade flows, but as a monetary phenomenon. According to this approach, a country's BoP surplus or deficit arises from a disequilibrium in the money market i.e. when the demand for money does not equal to the supply of money at prevailing income and interest rates.

Thus,

$$BoP = M_s - M_d$$

Any excess supply of money leads to BoP deficit, and any excess demand for money results in BoP surplus.

Core Principles of MABP

(a) BoP is a monetary phenomenon

Disequilibrium arises from mismatch b/w M_s and M_d



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(b) Fixed exchange rate mechanism

Under fixed exchange rates, BoP automatically adjusts the money supply.

Surplus \rightarrow reserves rise \rightarrow MS increases

Deficit \rightarrow reserves fall \rightarrow Ms decreases.

This restores $MS = M_d$

(c) No autonomous BoP Movement

Trade deficit or surplus occur because of money market imbalances, not the other way around.

(d) Long-Run Neutrality of Money

Excess money supply results in higher spending and BoP deficits until reserves fall and Ms contracts.

Strengths of MABP:

(a) Macro-consistent framework linking money, income, and BoP.

(b) It explains automatic adjustment under fixed exchange rates

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(c) Integrates domestic monetary policy with external balance.

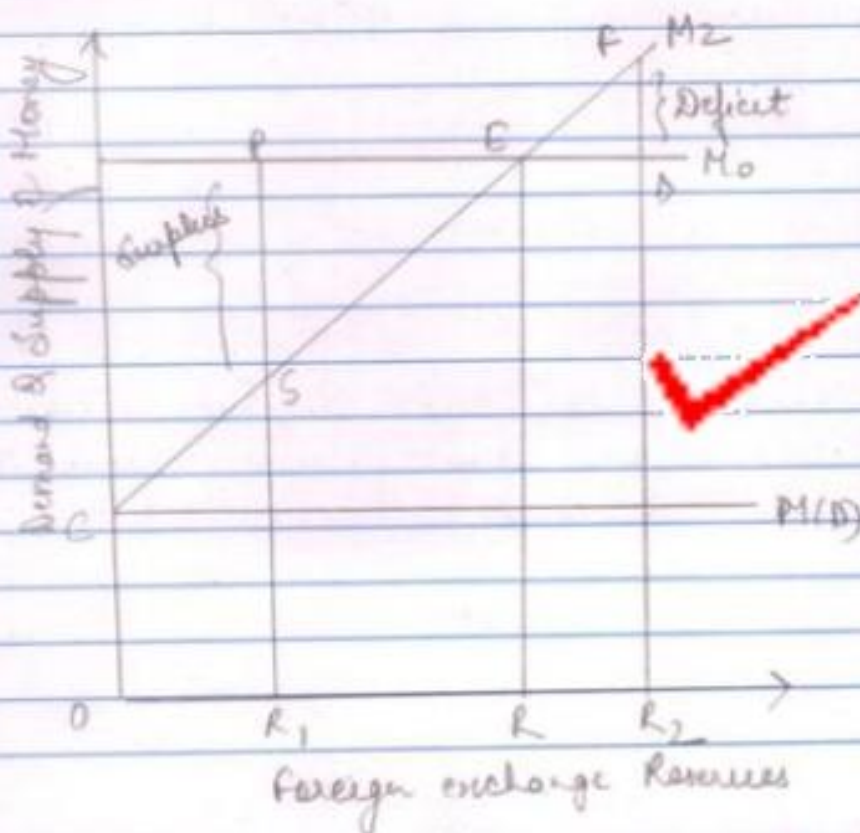
Criticisms of MABP:

(a) It neglects real sector (exports, imports, & competitiveness).

(b) Assumes stable money demand function not always realistic.

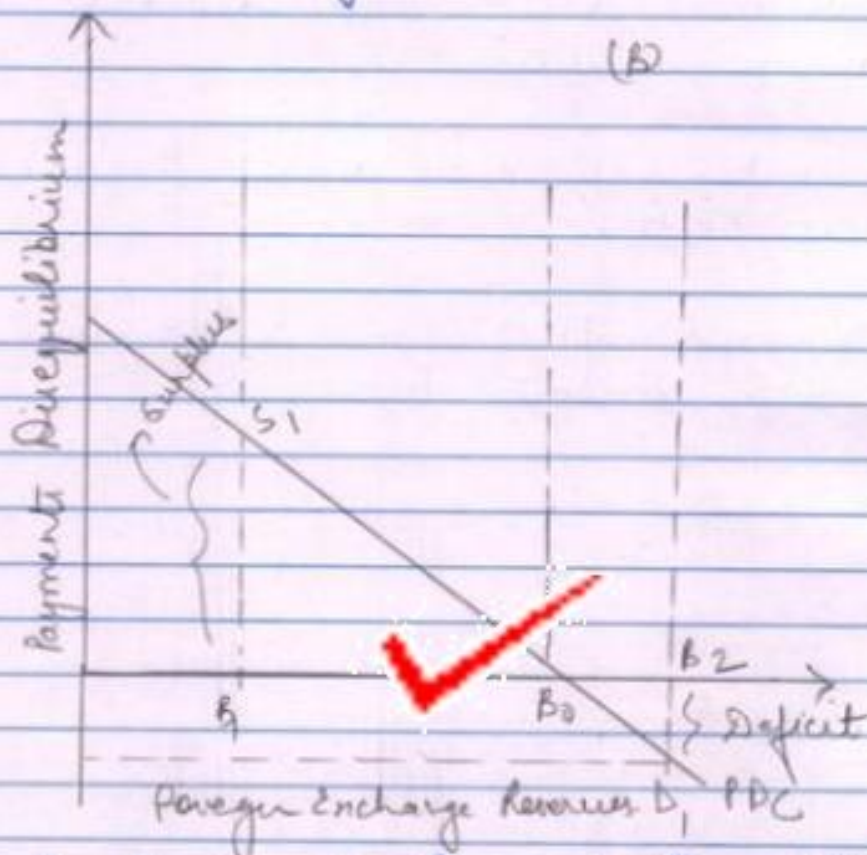
(c) Works well only under fixed exchange rates, not floating.

(d) Ignores capital flows & financial markets, which dominate today.





Graph A shows how the money market determines the BoP. The M_s curve slopes upward because higher foreign exchange reserves raise the domestic money supply. The M_d curve is horizontal showing fixed money demand. At point E, $M_s = M_d$, so the BoP is in equilibrium. To the left of E (R_1), $M_d > M_s$ creating excess demand for money causes BoP surplus.



Graph B shows the Payments Disequilibrium Curve (PDC) where low reserves create excess money demand & hence BoP surplus, while high reserves create excess money supply & lead to BoP deficit.

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