

2020

ECONOMICS — HONOURS

Paper : CC-11

(International Economics)

Full Marks : 65

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

Group - A

1. Answer **any ten** questions :

2×10

- (a) Suppose a country has 600 units of labour available. The unit labour requirement in production of two goods— apple and banana – are 3 and 2 respectively. Graph the production possibility curve of the country.
- (b) In a world of 2 countries and 2 commodities with one factor, if one country has absolute advantage in the production of both the commodities, is trade ever possible between the two countries?
- (c) Why incomplete specialization is not possible in Classical models of trade?
- (d) What are the sufficient conditions for gains for trade to be realized?
- (e) When trade is beneficial through specialization in the good in which the country has a comparative disadvantage?
- (f) Define elasticity of demand for imports.
- (g) State two important properties of Trade Indifference curve.
- (h) What will be the shape of the offer curve under constant opportunity cost?
- (i) State the price definition of relative factor abundance for any country.
- (j) What do you mean by factor intensity reversal?
- (k) What is voluntary export restraint?
- (l) What are the two components of gains from trade under increasing opportunity cost?
- (m) Distinguish between nominal and real exchange rate.
- (n) What determines the slope of BP curve in the IS-LM-BP model?
- (o) What is an import quota?

Please Turn Over

Group - B

Answer *any three* questions.

5×3

2. Define trade triangle and signify the implications of all three sides of the trade triangle.
3. Is it beneficial for a large country to participate in trade with a small country? Justify your answer.
4. When the offer curve is upward rising derive the value of elasticity of export supply?
5. 'Trade indifference curve considers both supply and demand sides of a country.'— True or False? Justify.
6. How can we use envelope condition in trade models?

Group - C

Answer *any three* questions.

7. (a) Examine the significance of the assumption of homotheticity of tastes in the context of the physical definition of relative factor abundance of Heckscher-Ohlin Theorem.
(b) Explain how equalization of factor prices is possible through trading of final commodities across countries in a two factor model. 5+5
 8. (a) Show that along an offer curve the sum of export supply elasticity and (absolute) import demand elasticity is one.
(b) Derive the condition which ensures stability of trade equilibrium point. 4+6
 9. Construct the equational structure of Jones (1965) model. Show the price magnification effect in this structure. 4+6
 10. (a) Does Jones (1971) model possess indecomposable property? Justify.
(b) 'A quota on imports can convert a potential monopolist into an actual monopolist'— Explain. 5+5
 11. Show that foreign trade multiplier with foreign repercussions is larger than that without repercussions. Give the intuition behind this finding. 8+2
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