2022

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) Consider a one factor economy, with constant labour coefficient, where two goods are produced — X and Y. The maximum output levels of X and Y that can be produced in the economy are 400 units and 200 units respectively. Assuming labour endowment level of the economy is 800 units, find out the unit labour requirement levels in the production of two goods.

(b) Why the production possibility curve is downward sloping and concave to the origin?

(c) What are the fundamental sources of comparative advantage in trade?

(d) Is trade possible between a large country and a small country?

(e) State the condition that ensures stability of free trade equilibrium.

(f) What will be the value of price elasticity of demand for imports at the backward bending region of an offer curve?

(g) What is voluntary export restraint (VER)?

(h) 'If the government of a country imposes an advalorem tariff on imports, then the domestic price of imports always increases by the rate of tariff' — True or False?

(i) Does the decomposability property hold for Jones (1965) model?

(j) State the economic structure of Jones (1971) model.

(k) How an increase in fiscal deficit, with equal levels of private saving and investment, affects the current account (CA) of an open economy?

(l) What do you mean by expenditure switching policy?

(m) What is meant by elasticity pessimism?

(n) What do you mean by flexible exchange rate?

(o) Why is the LM curve upward rising in an open economy?

Group - B

Answer *any three* questions. 5×3

2. Explain how a country gains from trade under constant opportunity cost.

3. In a trade model, where the two factors — land and labour — are used to produce two commodities — food and cloth, analyse the effects of an increase in endowment level of labour on the factor intensities and output levels of two commodities.

4. State and explain Stolper-Samuelson theorem.

5. Show how can offer curve be derived from trade indifference curves.

6. Examine the effects of a tariff on small country in terms of general equilibrium analysis.

Group - C

Answer *any three* questions.

7. (a) Derive the level of relative supply of commodity X in the world market when relative price of X lies between the opportunity cost of X in terms of Y in home country and that in foreign country in Ricardian model.

   (b) What is meant by perverse comparative advantage? 6+4

8. (a) 'If India and USA trade with each other, real wages will be equalized in the two countries, even in the absence of labour migration across countries'— Do you agree with this statement? Justify your answer.

   (b) Imagine an economy where consumers always buy goods in fixed proportions regardless of prices. Show that an improvement in terms of trade benefits this country as well. 5+5

9. (a) What is unit isoquant?

   (b) How can envelope condition be used in trade models?

   (c) State and explain the price magnification effect in Jones (1965) model. 2+4+4

10. (a) What is prohibitive tariff?

    (b) Between tariff and quota, a monopolist will prefer which trade policy and why?

    (c) What do you mean by Metzler's paradox? 2+6+2

11. (a) Why the value of fiscal multiplier for an open economy is different from that for a closed economy?

    (b) Explain the expenditure switching policy to eradicate BOP deficit.

    (c) What shifts the BP curve to the left? 4+4+2

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