2021

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) In Argentina one unit of labour produces either 1 bicycle or 10 bushels of wheat. In Brazil 8 units of labour produce either 2 bicycles or 8 bushels of wheat. In which commodity does Brazil have comparative advantage?

(b) Can a country gain from trade when all the factors are immobile across sectors?

(c) Can you examine the impact of foreign capital inflow on output level in terms of Jones (1965) model? Provide an intuitive explanation.

(d) When a country reaches the point of complete specialization under constant opportunity cost, what happens to its offer curve?

(e) What is Metzler Paradox?

(f) What is the significance of Marshall-Lerner condition?

(g) Does factor price equalization through commodity trade occur in sector specific model?

(h) What is meant by optimum tariff?

(i) What is quota?

(j) When a country is considered as large open economy in international trade?

(k) Will the factor prices be affected for an increase in capital endowment in Jones (1965) model?

(l) What are the sources of national saving in an open economy?

(m) What is meant by foreign repercussions?

(n) Distinguish between depreciation of a nation's currency and devaluation.

(o) How the IS curve of a small open economy will be affected for a depreciation of exchange rate?

Group - B

Answer ***any three*** questions. 5×3

2. 'The closer the equilibrium relative price to a country's autarkic domestic price ratio, the larger is its gain from trade'– True or False? Justify your answer.

3. Suppose that there are two factors – capital and labour, and that US is relatively capital abundant and India is relatively labour abundant countries. According to Heckscher-Ohlin model, will the US workers support US-India free trade? Why?

4. Explain (with example) the concept of public policy induced comparative advantage.

5. Explain in what sense a tariff and a quota are equivalent.

6. What are the possible policies taken by a country facing BOP deficit for a long time?

Group - C

Answer ***any three*** questions.

7. (a) Consider two countries A and B producing two goods X and Y with a single factor labour. The unit labour requirements for X and Y are respectively 4 and 1 in country A, and 5 and 2 in country B. The total availability of labour in A and B are 600 units and 500 units respectively. Construct the world relative supply curve from the given information.

(b) Explain why the Leontief paradox contradicts the Heckscher-Ohlin proposition. 5+5

8. (a) Examine that incomplete specialisation by both the countries is not necessary but sufficient for factor price equalisation.

(b) In a two-factor model of trade, what will be the shape of the PPF if all the factor coefficients are fixed? 7+3

9. (a) Is Jones (1971) model compatible with constant input coefficients?

(b) Explain how can offer curve be derived from trade difference curves. 4+6

10. (a) Show that the level of optimum tariff depends on the price elasticity of demand for imports of the foreign country.

(b) What will be the level of optimum tariff for a small country and why? 6+4

11. 'In Mundell-Fleming model, monetary policy will work with flexible exchange rates, while fiscal policy will work with fixed exchange rates' – True/False? Justify your answer. 10