

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?

Please Turn Over

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
