

M.A./M.Sc. 1st Semester Examination, 2023

ECONOMICS

(International Economics)

PAPER—ECO-105

Full Marks : 50

Time : 2 hours

The figures in the right hand margin indicate marks

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

GROUP – A

- I. Answer any two of the following questions :
- 2 × 2
1. Explain the CC curve of the monopolistically competitive trade model.
 2. Define intra-industry trade. How can we measure the extent of intra-industry trade ?
- 1 + 1

3. What are rent extracting effect and profit sharing effect of tariff? 1 + 1
4. Explain the concept of dynamic increasing return.

II. Answer any **two** of the following questions :

5. Show, under which condition, tariff and quota are not equivalent. 4×2
6. Show when and how restrictive trade policies reduce national welfare through rent seeking activities.
7. From the general equilibrium framework of $2 \times 2 \times 2$ international trade of Jones, derive the λ matrix. Which assumption makes the value of the determinant of λ equal to 1? 3 + 1
8. Explain the reciprocal dumping model of international trade.

III. Answer any **one** of the following questions :

9. Discuss how the internal economies of scale affects the trade pattern. How can we change the pattern if it is undesirable ? 8 × 1
10. What is meant by trade in primary inputs ? How migration is different from capital inflow in terms of its welfare effects ? Is FDI towards a small country always welfare enhancing ? Discuss. (Deriving the model explicitly is not required) 6 + 2

2 + 2 + 4

GROUP – B

I. Answer any **two** of the following questions :

11. Show that all transactions under Trade Account belong to Current Account but not the reverse ? 2 × 2
12. Suppose the import function is $M = P^\alpha Y^\beta e^\gamma$ where P is price of

exportables per unit, Y is home country's income, ' e ' is nominal exchange rate and $0 < \alpha, \beta, \gamma < 1$. Show that elasticity of import with respect to ' Y ' is β .

13. Write down the expressions of two measures of trade openness.

14. Make difference between 'clean floating' and 'dirty floating' in the context of flexible exchange rate.

II. Answer any two of the following questions : 4 × 2

15. Explain theoretically how is the Hybrid Exchange Rate calculated ?

16. Derive the equilibrium income under the functional relations, consumption function is $C = 100 + 0.65 Y$; investment, $I = 200 + 0.10 Y$; government final consumption expenditure, $G = 1000$; export, $X = 400$ and import function

$M = 300 + 0.10 Y$. Derive the impact of export upon Y if the former increases to 800 units. 2 + 2

17. Write down the equation of the BOP and find out its slope in the (Y, r) plane under the balancing condition. 2 + 2

18. Explain how the intervention of the central bank of a country works in the fixed exchange system. Discuss in the context the concept of Sterilization. 3 + 1

III. Answer any **one** of the following questions : 8 × 1

19. Explain the Marshall-Lerner condition for making a successful devaluation policy. Explain how disequilibria in the balance-of-payments reflect stock disequilibria in the money market. 4 + 4

20. Discuss the effectiveness of the fiscal policy upon income under the imperfect capital flow conditions with fixed and flexible exchange systems. 4 + 4

[Internal Assessment — 10 Marks]
