

**2018**

**M.A./M.Sc. 1st Seme. Examination**

**ECONOMICS**

**PAPER—ECO-105**

*Full Marks : 40*

*Time : 2 Hours*

*The figures in the margin indicate full marks.*

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

*Illustrate the answers wherever necessary.*

**Group-A**

1. Answer any *two* questions : 2×2

(a) What is factor intensity reversal ?

(b) Compare the assumptions underlying the Ricardian, Haberler and Heckscher-Ohlin models of international trade.

*(Turn Over)*

- (c) Distinguish between intra-industry and inter-industry trade.
- (d) What are the bases of intra-industry trade in the case of horizontally differentiated product ?

2. Answer any *two* questions : 2×4

- (a) Describe how the number of firms ( $n$ ) and price ( $P$ ) are determined in a monopolistic competitive market. How they are affected by international trade ? 3+1
- (b) State the H-O theorem of international trade assuming there are two goods ( $X$  and  $Y$ ), two countries ( $A$  and  $B$ ) and two inputs ( $L$  and  $K$ ). Mention the source of comparative advantage in this theory. 2+2
- (c) How will you relate an optimum tariff quota with an optimum import tariff ?
- (d) Will the factor price equalization theorem hold good if there is free trade in intermediate good ?

3. Answer any *one* question : 1×8

- (a) What is the Stolper-Samuelson theorem ? Prove the theorem mathematically and provide an intuitive explanation of the theorem. When would the theorem be invalid and why ? 1+6+1

- (b) Determine the real wage and the consumption variety in the intra-industry trade for monopolistically competitive market in case of differentiated goods. Explain where the countries will gain or not from intra-industry trade.

6+2

### Group-B

4. Answer any *two* questions : 2×2
- (a) Distinguish between fixed exchange rate and flexible exchange rate regimes.
- (b) Define the term 'Vehicle Currency'.
- (c) Distinguish between horizontal and vertical integration in the case of international trade.
- (d) Distinguish between depreciation of currency and devaluation.
5. Answer any *two* questions : 2×4
- (a) Define 'N'th Currency problem'. How is Gold-Standard useful to overcome this problem ?
- (b) Briefly explain the major reasons that caused the collapse of the Bretton-Woods system.

- (c) Briefly explain the advantages and disadvantages of Gold-Standard.
- (d) Discuss the balance of payment approach under structural models of exchange rate.
5. Answer any *one* question : 1×8
- (a) Analyse in details the fiscal policy and monetary policy under fixed exchange rate mechanism by considering the Mundell-Fleming model.
- (b) Briefly discuss the Martingale-Random walk model.
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