

**B.A. (Honours) Examination, 2023**  
**Semester-IV (CBCS)**  
**Economics**  
**Course: CC-10**  
**(International Economics)**

**Time: 3 Hours**

**Full marks: 60**

Questions are of value as indicated in the margin

Answer **Question no 1** and **any three** from the rest of the following questions

1. a. Given the following home import demand function and foreign export supply function, determine the equilibrium TOT and check whether equilibrium is stable or not:

$$M = M_0 - p^W,$$

$$X^* = X_0 + 2p^W ; \text{ where notations have their usual specifications.}$$

- b. Show that if the opportunity cost of producing textiles and computers is increasing in both countries, then the equilibrium TOT will strictly lie between the pre trade price ratio.

- c. In Ricardian trade model the gains from trade accrue to labour only while the same is not true for Heckscher-Ohlin Model.

(2+5)+3+5

2. a. What is the difference between absolute advantage and comparative advantage?  
b. State and explain labour theory of value in the context of Ricardian model  
c. Use the above model to derive the relative world supply curve.

3+4+8

3. a. Show that the gains from trade can be decomposed into two parts, namely, gains from specialisation and gains from exchange.

- b. Is it possible that an entire gains from trade is due to specialisation only? Explain.

8+7

4. a. State and explain the working of Stolper Samuelson theorem.

b. What is immiserizing growth? Give an example of this type of growth.

7+(2+6)

5. a. State and prove Marshall-Lerner condition.

b. What will be impact of transfer payment on terms of trade? In this context, explain the role of non-traded good.

(2+5)+(5+3)

6. a. Why the offer curve is convex to the horizontal axis? When the offer curve will be backward bending?

b. Show that a tariff imposed by a large country unambiguously reduces demand for imported good.

(4+4)+7

7. Derive the foreign trade multiplier of a country where consumption and import are determined by the disposable income and tax is proportional to income. Graph out the components along with their subcomponents of the Balance to Payments (BOP) of a country. Distinguish between the Devaluation and Depreciation of home currency.

6+6+3