M.A. Examination, 2017
Semester-IV
Economics
Course-XVI (Special) (Group-B)
(International Trade-II)

Time: 3 Hours **Full Marks: 40**

Questions are of value as indicated in the margin.

Question no. **1 is compulsory**. Attempt ***any three*** from the rest.

1. Using a monopolistically competitive model of trade with full employment assumption, where demand function is characterized by love-for variety, argue that in the long run history matters in determining the equilibrium real wage rate. 10
2. (a) Explain how a traditional concave production possibility curve and different price ratios for exportable and importable goods can be used to draw the offer curve of a country.

   (b) Mathematically derive the Marshall-Lerner condition for stability of trade equilibrium. 5+5
3. Use a suitable model of trade to argue that even in the absence of technological difference in production across countries, difference in factor abundance in trading countries, and increasing returns to scale in production with love-for variety preference, trade may be driven by the difference in time zones among trading nations. 10
4. How can we determine the equilibrium wage ratio of two trading counties in a generalized Ricardian model where labor is used as a single factor of production to producen number of commodities? 10
5. Consider a 2x2x2 general equilibrium model of trade where both the goods are produced by two factors of production, viz. L and K which are perfectly mobile across sectors, and fully employed. Production function follow standard constant returns to scale (CRS) and diminishing marginal productivity (DMP) of factors. Factor intensities of the goods are, however, different. In this backdrop examine, both diagrammatically and mathematically, the output effect of a change in the endowment of L. 5+5
6. Assume that two goods X and Y are produced in a small country. Both X and Y use a mobile factor K, whereas they use labor of different skills as specific factors. Build a specific factor competitive model of trade under the assumption of full employment and constant returns to scale in production. In such a setup, examine the condition for an increase in wage-inequality between differently skilled labor due to outward migration of any type of labor. 4+6
7. (a) Is there any difference between nominal rate of protection and effective rate of protection?

   (b) Diagrammatically explain why does a tariff on importable intermediate input lead to negative effective protection for the final good. 2+8