B.A. (Honours) Examination, 2017
Semester-VI
Economics
Course: H-15
(International Economics)

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

Questions are of value as indicated in the margin.

Answer question no.**1** and ***any three*** others

1. *Answer any five of the following in not more that 3 sentences each. Each part carries 2 marks.*
   a) Were Smith and Ricardo unaware of the need for machinery when they constructed their so called one factor models of trade?
   b) Why is it possible to determine autarkic domestic price ratios but not international price ratio in the Ricardian model?
   c) Why is the assumption of homogeneous technology necessary in the H-O model?
   d) Which factor should gain from imposition of tariff?
   e) Why did the USA not face any foreign exchange problem in spite of continuous deficits in its Current and Capital accounts of Balance of Payments?
   f) Why is the USA able to block major changes in IMF or World Bank in spite of the majority of contributors agreeing to the changes?
   g) Name a major service that has been left out of the purview of GATS.
   h) What is the difference between process and product patents?
2. If a_{li}, i = x,y, represents the fixed labour co-efficients for producing 'x' and 'y' in country A and b_{li}, i = x,y, represents the fixed labour co-efficients for producing 'x' and 'y' in country B and if $a_{lx}/a_{ly} > b_{lx}/b_{ly}$, what must be the range of the international price ratio p_x/p_y for both goods to be produced in the world? 10
3. a) Using Production Possibility Frontiers and SICs decompose the gains from trade into production and consumption gains.
   b) Under what circumstances would the country not enjoy any consumption gains? 7+3
4. State and prove the conditions under which the Hecksher-Ohlin theorem holds by the factor price definition of factor abundance but does not hold by the physical definition of factor abundance. 10
5. a) Show the effect of tariff on the offer curve of the country.
   b) Derive the formula for optimum tariff. 5+5
6. Derive the government expenditure multiplier for a closed economy, a small open economy and for a large open economy. Explain verbally the reasons for the differences in magnitudes. 7+3
7. Elaborate any three major changes that accompanied the replacement of GATT with WTO. 10
