M.A. Examination, 2014

Semester – III

Economics

Paper – XII (Group-B)

(International Trade-I)

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

Questions are of value as indicated in the margin.

Answer ***any four*** questions.

1. (a) Check how production distortion loss an consumption distortion loss affect the welfare of a large economy when tariff is imposed in a perfectly competitive setup.

   (b) How does the above situation change when there is monopoly instead of perfect competition? 5+5=10

2. In a game theoretic structure show that –

   (a) International negotiation improves welfare compared to the trade war.

   (b) Subsidy may not always be a welfare improving strategy under imperfect competition. 3+7=10

3. What is exchange rate overshooting? What kind of role does money supply play in this regard – analyse this in an open economy macro framework. 10

4. Under a long run exchange rate model based on PPP, check both the domestic and foreign effects of – (a) money supply, (b) interest rate and (c) output levels. 10

5. (a) Define real exchange rate. How do the changes in world relative demand and supply of domestic goods affect real exchange rate movement?

   (b) In the presence of real exchange rate, how do the money market and output market affect the long run nominal exchange rate? 4+6=10

6. What is the difference between nominal and real interest rate parity conditions? Show how the latter can be derived using the former? 10

7. Analyse the short run equilibrium of an open economy using the DD and AA schedules. Examine the effects of temporary changes in monetary and fiscal policies in this equilibrium framework. 10

8. Write short notes on: 5×2=10

   (a) Foreign exchange market

   (b) 'J' – curve effect