M.A. Examination, 2019
Semester-IV
Economics
Course: XVI (Group-B)
(International Trade-II)

(For Back Candidates)

Time: 3 Hours **Full marks: 40**

Questions are of value as indicated in the margin.

Answer***any four***questions.

1. (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
2. 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
3. Use a one-factor-one-commodity-two country Ricardian model with continuum of stages of production to determine the stages of specialization in the production of good. Also determine the equilibrium wage ratio. 10
4. How can we determine the equilibrium wage ratio of two trading countries in a generalized Ricardian model where labor is used as a single factor of production to produce *n* number of commodities? 10
5. Consider a 2×2×2 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 functions 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. 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

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