

B.A. (Honours) Examination, 2018
Semester-VI
Economics
Paper-H-15 (Core)
(International Economics)

Time: Three Hours

Full Marks: 40

Questions are of value as indicated in the margin.

Answer question no. 1 and *any three* others

1. Answer **any 5**. Only intuitive logic. No mathematical proof. Answer in not more than 3 sentences each. 5×2=10
 - (a) Why cannot the autarkic production and consumption baskets be determined in the Ricardian model?
 - (b) Under what conditions can trade take place according to the Law of Comparative Advantage though trade is not possible by the Law of Absolute Advantage?
 - (c) If $\omega = w/r$, $p = p_x/p_y$, and $k_x > k_y$, where $k = K/L$, what is the nature of the relation between ω and p ?
 - (d) What assumption about the demand pattern in the trading countries is sufficient for H-O theory to hold if factor abundance is defined in physical terms?
 - (e) Is it possible for countries to gain from trade even if factors are specific to lines of production?
 - (f) If $k_A > k_B$ and $k_X > k_Y$, where A, B denote countries and X, Y denote commodities, what will be the relative positions of the relative supply curves, $(x/y)_A$ and $(x/y)_B$?
 - (g) 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?
 - (h) Name a major service that has been left out of the purview of GATS.
 - (i) Why is the government expenditure multiplier for a large open economy smaller than for a large closed economy?
2. In a 2 country (A, B), two commodity (X, Y) Ricardian model the following is the factor coefficients matrix:

	X	Y
A	2	1
B	1	3

Derive the world supply curve of X. What must be the range of p_x/p_y for complete specialization after trade in both countries? 8+2

P.T.O.

(2)

3. Derive the relation between k_x and ω indicating the need of the assumptions used. State which assumptions are unreasonable in the Indian context? 7+3
 4. Show the impact on an offer curve of imposition of tariff if the government (a) uses the entire tariff revenue to purchase the importable commodity, (b) uses entire tariff revenue to purchase exportable commodity. 5+5
 5. What is a social indifference curve (SIC)? Argue a reason why one has to be 'bold' in order to assume that the SICs behave like the individual ICs? 2+8
 6. (a) What is a small country in the context of pure theory of trade?
(b) Why is such a country unable to gain from imposition of tariff while a big country may gain?
(c) Using Offer Curve diagram show a situation where a large country will lose as a result of imposition of tariff. 2+5+3
 7. Discuss the effectivity of fiscal and monetary policies for an open economy assuming absolute capital mobility. 10
 8. (a) Construct a linear model and derive simultaneously the equilibrium NI of two large trading countries.
(b) Derive the relation between the NI of the two countries for BOT=0
(c) Show in a diagram the effect of $\Delta G > 0$ on the NI of the two countries and on BOT. 4+1+5=10
 9. Discuss two instances of India's loss as a result of WTO rules. 10
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