

M.A. Examination, 2018
Semester-III
Economics
Course – XII (Group-B) (Special Paper)
(International Trade-I)

(For Back Candidates)

Time: Three Hours

Full Marks: 40

Questions are of value as indicated in the margin

Answer *any four* questions

1. Illustrate the situation where import demand and export supply curves are generated under free trade. Hence show how is world price determined. In this framework, analyze the effects of imposition of import tariff on welfare. 5+5
 2. Examine the effects of import tariff and quota in a monopoly framework and show that tariff is a better instrument under restrictive trade. 10
 3. What is the 'optimal tariff' argument? In a 2×2 open economy framework, determine the value of optimum tariff. 2+8
 4. Why and how does the domestic currency depreciate in the foreign exchange market? Illustrate the situation in a partial equilibrium framework. Why does reality always follow the expectation in the foreign exchange market where capital movement is allowed? 5+5
 5. In an open economy framework, show how does an increase in Europe's money supply affect Dollar/Euro exchange rate. Discuss exchange rate 'over-shooting'. 5+5
 6. What is the relationship between nominal and real exchange rates? Following this relationship, derive the real interest rate parity condition. 3+7
 7. Following the DD and AA schedules, illustrate the short run equilibrium in an open economy and check its stability. How do changes in temporary monetary and fiscal policies affect the equilibrium? 5+5
 8. How does the apex bank of a country manage the liberalized foreign exchange rate through the monetary and fiscal policies? In this context, define the sterilized foreign exchange intervention. 7+3
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