

M.A./M.Sc. 1st Semester Examination, 2024

ECONOMICS

(International Economics)

PAPER—ECO-105

Full Marks : 50

Time : 2 hours

Answer all questions

The figures in the right hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

GROUP – A

Answer any two questions : 2 × 2

- 1. What is the standard measure of the extent of intra-industry trade ? Which kind of industries are more likely to engage in intra-industry trade ?**

(Turn Over)

2. What are the costs and benefits of dumping to the host countries ?
3. What are the policy implications of dynamic economies of scale for developing countries trying to enter into global markets ?
4. In the discussion of international factor mobility why do we discriminate labour from capital ?

Answer any **two** questions : 4×2

5. Discuss how external economies of scale can lead to trade patterns that may not align with the predictions of traditional comparative advantage models.
6. Explain the model of reciprocal dumping.
7. Show the differential effect of tariff and quota when world market is oligopolistic.

8. Following Jones (1965), derive the factor-price equalisation theorem from the perfectly competitive market conditions.

Answer any one question : 8×1

9. Using the Krugman model of monopolistic competition and trade. Explain how economies of scale can lead to gains from trade, even between similar countries.

10. Is capital inflow always beneficial for a small economy? Explain your answer assuming free trade. Discuss how your answer will change if you assume restricted trade regime. $4 + 4$

GROUP – B

Answer any two questions : 2×2

11. Trade Account balance necessarily means Current Account balance. Justify whether the statement is correct.

12. Consider the import function $M = P^{1/2}Y^{1/4}e^{1/3}$, where P is price of importable items per unit, Y is home country's income, 'e' is nominal exchange rate. Show that elasticity of import with respect to 'e' is 0.33. Write down the expression of any one trade openness index. 1 + 1

13. Explain the relation between BOP surplus or deficit and money supply.

14. Define real exchange rate and explain its effects upon export and import.

Answer any two questions : 4 × 2

15. Explain theoretically how the Hybrid Exchange Rate is calculated ?

16. Derive the equilibrium income and rate of interest under the functional relations involving

consumption function is $C = 500 + 0.7 Y - 0.1 r$, investment, $I = 1000 - 0.10 r$, $G = 600$, export, $X = 500$ and import function $M = 350 + 0.10 Y$, money market equilibrium condition $1000 = 0.15 Y - 0.1 r$. The notations have usual meanings. Derive the impact of government expenditure upon Y if the former increases to 900 units. 2 + 2

17. Write down the equation of the BOP and find out its slope in the (Y, r) plane when it is balanced. 2 + 2

18. Explain the phase diagram under perfect capital mobility condition in the IS-LM-BOP framework.

Answer any one question : 8 × 1

19. Explain the Marshall-Lerner condition for making a successful devaluation policy. Discuss 'J Curve' in relation to trade balances of a country. 4 + 4

20. Discuss the effectiveness of the monetary policy upon income under the perfect capital flow conditions with fixed and flexible exchange systems. Define impossible trinity? (3 + 3) + 2

[Internal Assessment – 10 Marks]
