

2022

1st Semester Examination

ECONOMICS

Paper : ECO 105

(International Economics)

Full Marks : 40

Time : Two Hours

*The figures in the margin indicate full marks.
Candidates are required to give their answers
in their own words as far as practicable.*

Group - AAnswer any *two* of the following questions : $2 \times 2 = 4$

1. State the Rybczynski and Stolper-Samuelson Theorem.
2. Write the full-employment and perfectly competitive market conditions in a $2 \times 2 \times 2$ general equilibrium framework of Jones.
3. Briefly explain goods price equalisation theorem.
4. Define economies of scale. What kind of economies of scale facilitate competitive market structure?

P.T.O.

Answer any *two* of the following questions : $4 \times 2 = 8$

5. Explain the condition of violation of tariff-quota equivalence. What kind of trade barrier is more harmful in terms of domestic welfare?
6. What do you mean by rent-seeking activity? Show how such activity reduces the national welfare.
7. In which situation does the strategic or profit-sharing effect of an import tariff arise? In this context, explain the rent extracting effect.
8. Explain a trade pattern where the major world exporter has comparative disadvantage in its exportables.

Answer any *one* of the following questions : $8 \times 1 = 8$

9. What do you mean by intra-industry trade? How does a monopolistically competitive market structure lead to such kinds of international trade? Elaborate.
10. Is foreign capital inflow always welfare enhancing? Explain its effect on a small open economy under free trade.

Group - B

Answer any *two* of the following questions : $2 \times 2 = 4$

11. Show that all transactions under Trade Account belong to Current Account but not the reverse?

12. Suppose the export function is $X = P^\alpha Y^\beta e^\gamma$, where P is price of exportables per unit, Y is foreign country's income, 'e' is nominal exchange rate and $0 < \alpha, \beta, \gamma < 1$. Show that elasticity of export with respect to 'e' is positive and equal to γ .
13. Distinguish between 'clean floating' and 'dirty floating' in the context of flexible exchange rate.
14. Mention the condition when the exchange market becomes stable.

Answer any *two* of the following questions : $4 \times 2 = 8$

15. Explain theoretically how is the Hybrid Exchange Rate calculated?
16. Derive the equilibrium income with the consumption function $C = 200 + 0.6y$; investment function $I = 100 + 0.10Y$; government final consumption expenditure, $G = 1000$; exports $X = 500$, and import function $M = 300 + 0.10 Y$. Derive the impact of export upon Y if the former increases to 1000 units. 2+2
17. Write the equation of the BOP and find out its slope in the (Y, r) plane under the balancing condition. 2+2
18. Write a note on Internal Balance and External Balance.

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Answer any *one* of the following questions : $8 \times 1 = 8$

19. Explain the Marshall-Lerner condition for making a successful devaluation policy. Explain how disequilibria in the balance-of-payments reflect stock disequilibria in the money market. 4+4
20. Discuss the effectiveness of the fiscal policy upon income under the perfect capital flow condition with fixed and flexible exchange rate systems. Define unholy trinity?
6+2
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