

2021

ECONOMICS — HONOURS

Fifth Paper

(Group - A)

Full Marks : 50

The figures in the margin indicate full marks.

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

Section - A

1. Answer **any five** questions : 4×5
- (a) 'Comparative advantage theory of trade explores the benefits of international division of labour'— Justify.
 - (b) Do you agree with the view that Heckscher-Ohlin theorem is an extension of Ricardian Theory of trade?
 - (c) How do the changes in terms of trade affect production, consumption as well as the overall level of welfare of a trading country?
 - (d) Derive a country's offer curve from its post-trade production and consumption points.
 - (e) Would growth in poor nations be actually self-defeating? Justify.
 - (f) Differentiate between optimum tariff and prohibitive tariff.
 - (g) Why does the value of autonomous expenditure multiplier for a closed economy differ from that of an open economy?
 - (h) Examine the effects of an increase in exports on trade balance, using a suitable diagram.

Section - B

Answer **any five** questions.

2. In a one-factor, two-country, two-commodity model, illustrate the derivation of relative supply curve of a commodity in international market. 6
3. What are the components of gains in Heckscher-Ohlin model of trade? Explain each component with diagram. 2+4
4. In a trade model where the two factors — land and labour — are used for producing two commodities — food and cloth, analyse the effects of an increase in the endowment level of labour on the output levels of two commodities, factor intensities and relative prices of the two commodities. 2+2+2

Please Turn Over

5. When does a transfer worsen the donor's terms of trade? Explain with diagram. 6
 6. Is it true that a large country may not be able to gain by imposing a tariff on its import item? 6
 7. Derive the formula for optimum tariff. What is the rate of optimum tariff for a small country and why? 4+2
 8. How are the 'spot' and 'forward' markets for foreign exchange linked? 6
 9. (a) What is devaluation?
(b) Explain the Swan diagram of internal and external balance in an economy. 2+4
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