

RAMAKRISHNA MISSION VIDYAMANDIRA

(Residential Autonomous College affiliated to University of Calcutta)

B.A./B.Sc. SIXTH SEMESTER EXAMINATION, JULY 2021

THIRD YEAR [BATCH 2018-21]

ECONOMICS (HONOURS)

Paper : VIII

Date : 10/07/2021

Time : 11.00 am - 3.00 pm

Full Marks : 100

Group - A

Answer **any four** questions of the following :

[4×3]

- 1) Distinguish between the functions of IMF, World Bank.
- 2) Discuss briefly the notion of missing women mystery.
- 3) Define the Marxian notion of exploitation.
- 4) Distinguish between use value and exchange value.
- 5) Mention three causes of industrial revolution in Britain.
- 6) Mention two reasons for market failure.
- 7) Distinguish between foreign direct investment and foreign portfolio investment.
- 8) Briefly mention issues regarding the role of WTO with respect to developing countries.

Answer **any one** question of the following :

[1×8]

- 9) Critically discuss Rostow's stage theory.
- 10) Discuss the issues regarding gender discrimination in health and education especially in the context of developing countries.

Answer **any two** questions of the following :

[2×15]

- 11) a) What are the causes for planning in developing countries?
b) Discuss the reasons for plan failure.
c) Discuss the idea and prospects of decentralized planning. (5+5+5)
- 12) a) Discuss in detail the merits and demerits of the import substitution strategy.
b) Discuss in detail the strategy of the export promotion.
c) Is there a reconciliation possible between import substitution and export promotion? (6+6+3)
- 13) a) Critically evaluate the notion of 'trade as an engine of growth'.
b) Critically discuss the Prebisch -Singer thesis regarding the terms of trade debate. (7+8)
- 14) a) Define MNCs.
b) Critically evaluate the role of MNCs in the context of LDCs. (3+12)

Group - B

Answer **any three** questions from the question nos. 15-20 :

[3×4]

- 15) Suppose Germany and France produce wine and clothe under increasing opportunity costs. At their respective autarkic equilibriums, the marginal costs of production are given in the following table:

	Germany	France
Food	2	4
Clothe	6	24

- i) Which country has a comparative advantage in the production of food? In the production of clothe?
- ii) Under free trade equilibrium Germany exports 100 units of clothe in exchange for 500 units of French food. Assume that the marginal cost of German clothe rises to 7.5. And that 1 German currency exchanges for 3 French currencies. Determine the equilibrium price of food and clothe in France. (2+2)
- 16) It is just as likely that economic growth will worsen a country's terms of trade as that will improve them. Why, then, do most economists regard immiserising growth, while growth actually hurts the growing country, as unlikely in practice? (4)
- 17) What is Leontief's Paradox? Explain the reasons behind the paradox. (4)
- 18) Suppose a producer is a monopolist in domestic market, but a price taker in the world market. Explain with diagram how the producer will decide how much to sell and what prices to be charged in domestic and in world market. What are the conditions to be met for doing so? (4)
- 19) What is offer curve? How does offer curve analysis solves the problem in Ricardian Model ? (4)
- 20) i) What are the political economy arguments in favour of free trade?
- ii) What are the political economy arguments against free trade? How strong these arguments are? (2+2)

Answer **any one** question from the question nos. 21-22 :

[1×8]

- 21) Suppose an economy produces leather bags (B) and corn (C) using labour (L) and land (T). The production functions of those goods are:

$$X_B = L_B^{0.5} T_B^{0.5}$$

$$X_C = L_C^{0.4} T_C^{0.6}$$

- i) If $P_B = Rs\ 100$ and $P_C = Rs\ 80$, find out the rates of return to the labour and land.
- ii) If P_B declines to $Rs\ 80$, how do the rates of return will change for labour and land ?
- iii) Suppose the economy is endowed with **1000** workers and **1200** acres of land. If the world price of the two goods are as in (i), how many lather bags and how much of corn will the economy produce? (2+2+4)
- 22) Home and Abroad have two factors of production, land and labour, with which they produce two goods, wheat and wine. Technology is the same in the two countries. Wheat is land intensive; home is labour abundant. Analyse the effect on the terms of trade and the welfare of the two countries of the following:
- i) An increase in Home's amount of land.
- ii) An increase in Home's labour supply.
- iii) An increase in Abroad's amount of land.
- iv) an increase in Abroad's Labour supply. (2+2+2+2)

Answer **any two** questions from the question nos. 23-26 :

[2×15]

- 23) a) Define gains from trade in Ricardian Model and show that the total gains from trade (GFT) can be decomposed into specialization gain and exchange gain.

- b) Derive the world PPF in Ricardian case (graphically) and explain the pattern of trade in it. (7+8)
- 24) a) State and prove Rybczynski Theorem both graphically and mathematically.
- b) State and prove Stolper – Samuelson Theorem (mathematically). (9+6)
- 25) a) The PPF of India is summarised in the following table:

	Output Combinations				
Commodity X	0	20	40	60	80
Commodity Y	100	90	70	40	0

- i) Draw the PPF
- ii) Determine India's optimum production point for each of the following world price ratios - $\frac{P_x}{P_y}$ = 0.2, 0.8, 1.1, 1.75, and 3. Draw the relative supply curve in each case.
- iii) Suppose that India consumes commodities in fixed proportion $1X : 1Y$ irrespective of prices. If the world price ratio is 0.6 what will India produce, consume, export and import. Give precise quantities. (1+3+2)

- b) Britain and America produces three commodities: X, Y and Z. The quantity of each commodity produced by one unit of labour in Britain and America is given as:

Countries	Commodities		
	X	Y	Z
America	6	4	2
Britain	1	1	1

- i) Arrange the three commodities in the order of comparative advantage for America.
- ii) Assume that under free trade condition commodity Y is produced by both countries. Determine all relative prices and explain which commodities are exported by America and which by Britain?
- iii) If Britain's money wage rate is £ 1, and £ 1 = \$ 2, what is America's money wage rate? (2+3+4)
- 26) a) Spain is a small open economy that trades commodity X and Y in the world market at the fixed terms of trade $1X:2Y$. Spain is endowed with 37200 units of labour and 18000 units of capital. At the current equilibrium the optimal production coefficients are as follows:

	Labour	Capital
X	4	3
Y	5	1

Assume that Spain also consume commodities at affixed proportion $1X: 1Y$ at all conceivable prices.

- i) Determine Spain's labour and Capital constraints.
- ii) Determine Spain's output, consumption and finally export and import of X and Y. (2+4)

b) Consider further the following full employment condition in USA and India:

$$L_i = 5A + 2B$$

$$K_i = 2A + 4B$$

$$i = USA, India$$

$$L_{USA} = 1000, L_{India} = 800, K_{USA} = 800 \text{ \& } K_{India} = 400$$

Consumers in both the countries have identical tastes and consume the two goods at fixed ratio:

$$\frac{B}{A} = \frac{1}{2}$$

- i) Rank the countries according to the factor endowments.
- ii) Rank commodities according to factor intensities.
- iii) Do you think both labour and capital will be fully employed at the pre trade situation? What are the pre trade price ratios in the two countries?
- iv) When trade opens up between USA and India, what will be the pattern of trade? Is this consistent with the factor abundance of the countries?
- v) Suppose instead of consuming at fixed ratio, tastes are given by $U = A \cdot B$. What are the pre trade price ratios in the two countries and what will be the pattern of trade? (1+2+2+2+2)

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