

RAMAKRISHNA MISSION VIDYAMANDIRA

(Residential Autonomous College affiliated to University of Calcutta)

B.A./B.Sc. FIFTH SEMESTER EXAMINATION, FEBRUARY 2022

THIRD YEAR [BATCH 2019-22]

ECONOMICS (HONOURS)

PAPER : XI [CC11]

Date : 26/02/2022

Time : 11 am – 1 pm

Full Marks : 50

Group-A

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

[3×4]

1. What is the role of labour theory of value in the Classical trade theory? Explain.
2. Constant opportunity cost of production leads to complete specialization when two country engages themselves into international trade. Explain.
3. Why does the offer curve of a nation have a constant slope and after certain point it is backward bending in the context of the Classical trade theory? Explain.
4. What is Metzler's paradox?
5. What is immiserizing growth?
6. What is Leontief's paradox? Explain the causes.

Group-B

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

[1×8]

7. In Argentina one unit of labour produces either 1 bicycle or 10 bushels of wheat. In Brazil eight units of labour produce either 2 bicycles or 8 bushels of wheat.
 - a) Determine the opportunity cost of bicycles in terms of wheat in Argentina and Brazil. (2)
 - b) In which commodity does Brazil have a comparative advantage? What about Argentina? (2)
 - c) Assume that wage rate in Brazil is \$1. Find the possible range of Argentina's money – wage rate under free trade. (4)
8. Canada and Italy produce typewriter and wheat under increasing opportunity cost. Both countries share the same production possibility frontier. However Italy consumes more wheat per typewriter than Canada at all conceivable price ratios.
 - a) In which country are typewriters cheaper under autarky? (2)
 - b) Under free trade what is the relationship between Italy's and Canada's structure of production? (2)
 - c) Which country exports what? (2)
 - d) Illustrate your conclusions graphically. (2)

Group-C

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

[2×15]

9. 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:

Country	Commodity		
	X	Y	Z
America	6	4	2
Britain	1	1	1

- a) Arrange the three commodities in the order of comparative advantage for America. (5)
- b) 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? (5)
- c) If Britain's money wage rate is £ 1, and £ 1 = \$ 2 , what is America's money wage rate? (5)
10. Home has 2400 workers available. It can produce two goods – oranges and pears. The unit labour requirement in orange production is 6, while in pear production it is 4.
- a) Graph home's PPF. (2)
- b) What is the opportunity cost of oranges in terms of pears?
In the absence of trade, what would be the price of oranges in terms of pears? why?
Suppose another country (call it Foreign) with a labour force 1600, produces 10 oranges or 2 pears with one unit of labour. (2)
- c) Graph foreign's PPF (2)
- d) Construct the world relative supply curve.
Now suppose the relative demand takes the following form:

$$\frac{\text{demand for orange}}{\text{demand for pear}} = \frac{\text{price of pears}}{\text{price of orange}} \quad (3)$$
- e) Graph the relative demand with relative supply. (1)
- f) What is the equilibrium relative price of oranges? (2)
- g) What is the pattern of trade? Show that both home and foreign gain from trade. (3)
11. a) Suppose that instead of 2400 workers, Home had 4800 workers. Find the equilibrium relative price. What can you say about the efficiency of world production and the division of gains from trade between home and foreign? (7.5)
- b) Suppose home has 4800 workers but is only half as productive in both industries as stated before. Construct the world relative supply curve and determine the equilibrium relative price. Compare the gains from trade in this situation with all previous cases. (7.5)
12. a) State and prove the Rybczynski Theorem (graphically). Explain why factor intensity irreversal is a crucial consideration when factors are substitutable. (5)
- b) State and prove the Stolper-Samuelson Theorem (mathematically) in a case when factors are not substitutable. What is the implication of the theorem in the context of the theory of international trade? (5)
- c) What is Factor Price Equalization Theorem? What is the implication of the theorem in H-O model of international trade? (5)

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