

RAMAKRISHNA MISSION VIDYAMANDIRA

(Residential Autonomous College under University of Calcutta)

B.A./B.SC. SIXTH SEMESTER EXAMINATION, MAY-JUNE 2013

THIRD YEAR

Economics (Honours)

Date : 01/06/2013

Time : 10.30am – 2.30pm

Paper : VIII

Full Marks : 100

(Use separate answer book for each group)

Group - A

1. Answer **any three** questions of the following : (3 × 4)
 - a) Discuss the effect of export subsidy on the welfare of a small country. (4)
 - b) Explain the concept of infant industry argument for introduction of tariff. (4)
 - c) Show that in a pure exchange economy, stability of world market requires income effect of the net exporter (for the good it exports) should not be too high. (4)
 - d) State and analyse the Rybczynski Theorem. (4)
 - e) What do you mean by 'Local Content Requirement'? Explain your answer with suitable example. (3+1)
2. Answer **any one** question of the following : (1 × 8)
 - a) Derive the formula for Optimum Tariff. Show that, for a small country the Optimum Tariff is zero. (6+2)
 - b) An economy produces two goods X and Y with only labour. The production functions are $X=L_x^{1/2}$, $Y=L_y^{1/2}$. Total labour in the economy is 100. Consumers have the utility function $u(x, y)=\log X + \log Y$.
 - i) If there is no trade, how will the economy allocate its labour? What will be the utility?
 - ii) Suppose trade opens up and the economy can trade with world price $\frac{P_x}{P_y}=2$. How is the production adjusted? What will be the new utility level? (4+4)
3. Answer **any two** questions of the following : (2 × 15)
 - a)
 - i) Using the partial equilibrium analysis compare the impacts of introduction of tariff on a large country vis-a-vis the small country.
 - ii) Explain the concept of 'Metzer's Paradox'. (10+5)
 - b)
 - i) Prove or disprove:
"In a Heckscher-Ohlin model of international trade, complete specialization is an impossibility".
 - ii) Prove or disprove:
"In a Heckscher-Ohlin model of international trade, as the economy moves from autarky to free trade, the relatively abundant factor gains and relatively scarce factor loses in each country". (7+8)
 - c)
 - i) Establish a one-to-one correspondence between commodity price ratio and factor price ratio in the absence of factor intensity reversal.
 - ii) How is the correspondence relevant for establishing the Heckscher-Ohlin proposition on trade pattern with factor abundance defined in terms of factor price? (6+9)
 - d)
 - i) Relate the shape of an offer curve to the varying magnitude of price elasticity of import demand.
 - ii) Demonstrate using offer curves situations where the general equilibrium in international trade is unstable.
 - iii) What is the shape of a Ricardian offer curve? Explain. (5+7+3)

Group - B

4. Answer **any one** question of the following : [1 × 5]
a) Mention some of the impacts of permanent settlement in India. (5)
b) What were the factors responsible for de-industrialization in India during British rule? (5)
5. Answer **any one** question of the following : [1 × 8]
a) Economic drain in British India. (8)
b) Discuss about Railways versus irrigation controversy that prevailed in India during the middle of the 19th century. (8)
6. Answer **any one** question of the following : [1 × 12]
a) Discuss briefly the causes and consequences of commercialization of Indian agriculture during the British period. (6 + 6)
b) Briefly discuss about the basic features of agricultural and industrial sectors of India during colonial period. (6 + 6)

