Name of the Examinations: M.A. ECONOMICS SECOND YEAR SECOND SEMESTER - 2019

Subject : DEVELOPMENT ECONOMICS II   Time :   2 hours   Full Marks : 30

Answer any <u>Three</u> questions

1. (a) What criticism one may level if one wants to find the impact of trade on growth and poverty reduction through a bi-variate type cross country regression with trade as the only independent variable along with other constant terms? Discuss
    (b) Suggest alternative methods to find the impact of trade on poverty reduction which is free from estimation errors.   3+7=10

2. In unequal exchange type of centre periphery models of international trade, if labour is the only factor of production and capital is immobile, show that a rise in periphery labour productivity may or may not raise employment. Give intuition behind the result.   10

3. Using a micro-theoretic trade model, prove that the existence of multinational enterprise leads to higher welfare than situations where production is undertaken by domestic firms alone in respective countries.   10

4. In case fragmentation of production process is technologically feasible, do you agree that it is wrong to claim that outsourcing parts of production to developing countries by developed nations is a strategy which either leads to falling wage or job loss? Also, show that such a strategy will lead to higher welfare even if the country is 'large'.
                                                                                              8+2=10

5. Suppose a developed country produces cars whose components are manufactured either there or in developing countries having lower wage. The components are produced by labour and various kinds of services whereas services are produced by labour alone having declining average cost. If the developing country produces more labour intensive components while developed countries export more service intensive components, in the absence of trade in services, using a suitable model show that an increase in wage in the developing countries will result in a smaller number of components being exported by them.   10