

**MASTER OF ARTS EXAMINATION, 2018 (OLD)**

(2nd Year, 3rd Semester)

**ECONOMICS**

**INTERNATIONAL ECONOMICS I**

Time: Two hours

Full Marks: 30

Answer any *three* questions

1. In a two-country Ricardian model with continuum of goods defined over the unit interval  $[0, 1]$ , how is the pattern of trade determined for any given ratio of national wages? 10
  
2. What do you mean by excluded-middle phenomenon when price of traded goods change in a  $2 \times 2$  small open economy? What implications does this phenomenon have for factor owners being better-off or worse-off? Since this phenomenon does not hold in a many-good many-factor HOS model, what can you say about whether a factor is made better-off by changes in price of traded goods?  $2+2+6 = 10$
  
3. Define factor content of trade. How would you use this concept to generalize the Heckscher-Ohlin theorem to many-factor, many-commodity and many-country case?  $2 + 7 = 10$
  
4. Distinguish between the love of variety approach and the characteristic approach. How does characteristic approach explain intra-industry trade when consumers are heterogeneous and production technology exhibits IRS?  $4 + 6 = 10$
  
5. (a) Does the income redistribution effect of trade have any implication for a country's growth? Explain.  
(b) Why is it that the welfare implications of growth in an open economy may be quite different from that in a closed economy? Explain.  $4 + 6 = 10$
  
6. Compare welfare maximizing and political support maximizing import tariff rates for a small open economy. Does an import quota generate more political support for the government than the tariff? Explain.  $6 + 4 = 10$