

MASTER OF ARTS EXAMINATION, 2017

(2nd Year, 4th Semester)

ECONOMICS

DEVELOPMENT ECONOMICS - II

Time :Two hours.

Full Marks :30

The figures in the margin indicate full marks.

Answer any **two** questions.

1. What is 'Unequal Exchange'? Explain the phenomenon of unequal exchange between the Centre and the Periphery in terms of changes in terms of trade and productivity shocks.

(3+12).

2. What is meant by Immiserizing Growth? Derive the sufficient condition for growth to be immiserizing in an open economy without any domestic distortions, and interpret the results.

(3+12).

3. Consider a Keynesian model of North-South Trade with fixed money wage rate and demand determined output. Show that (a) free international trade unambiguously reduces consumption and employment in the South, and raises them in the North; (b) an increase in autonomous investment raises consumption and employment in the country where investment has risen, but the effect on equilibrium terms of trade is ambiguous.

(7.5+7.5)

4. How would you explain the process of uneven development when the North grows with excess capacity, and South has full capacity utilisation with given real wage rate? With differences in income elasticity of demand for imports between the North and South, how does the terms of trade behave in the long run, when (a) trade is exactly balanced, and (b) South can borrow capital from the North due to import surplus? Explain clearly the assumptions you are making.

(5+5+5)

5. Write notes on any **two** of the following:

(7.5+ 7.5)

a. Technological Externality and Uneven Growth;

b. Prebisch –Singer Hypothesis;

c. Free Trade and Rate of Profit in a Ricardian Model of Growth;

d. Long run behavior of Terms of Trade and Employment when North has Neoclassical and South has Neo-Lewisian production structures.
