BACHELOR OF ARTS EXAMINATION, 2024

(3rd Year, 5th Semester, Supplementary)

ECONOMICS

[INTERNATIONAL ECONOMICS]

Time : Two hours   Full Marks : 30

Answer any three questions

1. (a) State the Gains from Trade (GFT) theorem.
   (b) What are the components (and sources) of GFT?
   (c) On what factors does the magnitude of GFT depend?
   (d) Does GFT mean that free trade is Pareto superior to autarchy (or no trade)? Explain.
   $$2+3+3+2 = 10$$

2. State and prove the HO theorem of trade. Explain at least one case where the HO pattern of trade may not hold. $2+5+3 = 10$

3. Define an import quota which is binding. Why does a scarcity rent arise under a binding import quota? To whom does such scarcity rent accrue? Explain. $2+4+4 = 10$

4. How does an import-tariff affect welfare of – (i) a small country; (ii) a large country? Does your answer depend on how is the tariff revenue spent? $2+5+3 = 10$

5. (i) Distinguish between current account and capital account transactions of a country with the rest of the world. Does a capital-account surplus indicate strength of the country?
   (ii) How does an increase in spending on foreign goods by the domestic citizens affect the national income of a country? $3+2+5 = 10$

6. Write short notes on any two: $5 + 5 = 10$
   a) Absolute versus comparative advantage
   b) Price magnification effect
   c) Tariff-quota equivalence
   d) Over-valued pegged exchange rate regime