

Bangabasi College
Test Examination, 2016
B.Sc (Hons.) (1+1+1 System), Part III
ECONOMICS (Hons) Paper V & VI

Full marks: 50 + 50

Time: 4 Hrs.

Section A

1. Answer any five questions:

(5 × 4)

- a) 'If the world terms of trade for a country are somewhere between the domestic cost ratio of A and that of B, then country A and country B will both gain from trade'. Justify.
- b) Consider two countries, India and South Korea in an H-O world. Each country produces two goods, cars (a relatively capital intensive good) and shirts with two factors of production labor and capital. At the world relative price of 200 for cars, South Korea exports cars and imports shirts from India. Is India relatively capital abundant? Why?
- c) If a country experiences import biased growth does it necessarily gain in terms of Welfare? Explain your answer.
- d) In a 2 good 2 country world how the equilibrium relative price is determined through the interactions between relative demand curve (RD) and the relative supply curve?
- e) Can it so happen that a foreign aid makes the donor country better off and recipient country worse off?
- f) Is it true that consumers must suffer when a small country imposes tariff? Why?
- g) Explain the implication of Metzler's Paradox.
- h) Distinguish between depreciation of a nation's currency and devaluation.
- i) Why public sector is required in any economy?.
- j) What are the basic reasons for market failure in the provision of social goods?
- k) Compare between unit tax and ad valorem tax. Give example.
- l) What is Coase's Law? Explain with example.
- m) What is the difference between budget deficit and fiscal deficit?
- n) Distinguish between external and internal public debt..

2. Answer any five questions:

(5 × 6)

- a) 'In Ricardian model each country necessarily specializes completely in the good in which it has comparative advantage' - do you agree?
- b) Suppose that at current factor prices cloth is produced using 20 hours of labor for each acre of land, and food is produced using only 5 hours of labor per acre of land.
 - (i) Suppose that the economy's total resources are 600 hours of labor and 60 acres of land. Using a diagram, determine the allocation of resources.
 - (ii) Now suppose that the labor supply increases first to 800, then 1000, then 1200 hours. Using diagram, trace out the changing allocation of resources.
 - (iii) "What would happen if the labor supply were to increase even further?"

- (c) Bangladesh exports rice to India and imports cloth instead. Bangladesh's MPC of rice is 0.8 and MPC of cloth is 0.6, whereas India's MPCs are 0.7 and 0.75 for rice and cloth respectively. If India gives an aid of 25,000 crores of rupees to Bangladesh, what happens to the terms of trade between these two countries?
- (d) What happens to the domestic price of importables when an import quota replaces tariff under a (i) competitive situation and (ii) under monopoly?
- (e) Home's demand and supply curves are given by:
 $D = 120 - 25P$ and $S = 20 + 15P$ while foreign's demand and supply curves are:
 $D^* = 70 - 20P$ and $S^* = 30 + 10P$,
- (i) Construct the Home's import demand curve.
- (ii) Construct the foreign's export supply curve.
- (iii) Find the equilibrium price under free trade.
- (iv) Determine the prices in the two countries and the volume of trade when a tariff of 0.7 per unit is imposed on imports of the Home country.
- (f) Develop a national income model with foreign repercussion to show how fluctuations in economic activities are transmitted across countries.
- (g) "Efficient provision of social goods involves vertical rather than horizontal additions of individual pseudo demand schedules". Explain with argument.
- (h) What are negative taxes? What is budget multiplier? Explain. (3+3)
- (i) What are the effects of income tax on work effort? Explain.
- (j) Explain the basic structure of government budget. What are the spillover effects? (3+3)

Section B

3. Answer any five questions: (5 × 4)
- a) Can global inequality be higher than international inequality? Give reasons.
- b) State some possible reasons for the breakdown of feudalism in Western Europe.
- c) Mention some of the principal features of Industrial Revolution in Great Britain.
- d) Mention two features of New Economic Policy in Soviet Union.
- e) Mention the basic objectives of UNCTAD.
- f) Do you think that Import Substitution Argument for industrialization is the same as Infant Industry Argument?
- g) Who propounded the theory of Unequal Exchange? What do you mean by it?
- h) Indicate some of the basic differences between GATT and WTO.
- i) Indicate the successive forms of modern (capitalist) polarization as observed in the process of its evolution.
- j) What constitutes development planning?
- k) Mention any two causes behind the macroeconomic crisis of 1991.
- l) What is strategic sale of public enterprise?
- m) Mention two reform measures adopted in the area of foreign investment in 1991.
- n) State any two reforms undertaken in the money market of India since 1991?
- o) What is the difference between FERA and FEMA?
- p) How pro-market orientation is different from pro-business orientation?
- q) Define social inclusion.
- r) Mention the reasons behind higher growth rate in agriculture in West Bengal during 1980s compared to 1970s.

- s) What do you mean by Operation Barga?
- t) Indicate some of the reasons behind slow growth of the manufacturing sector in West Bengal during the last few decades.
- u) What is the nature of occupational structure in West Bengal?

4. Answer any five questions:

(5 × 6)

- (a) Discuss in brief the differences in opinions of economists and historians regarding the relative importance of factors responsible for the breakdown of feudalism.
- (b) Analyze the basic causes of economic collapse as experienced by USA during 1930s. How far these causes were different from those experienced by Great Britain during the same period? (4+2)
- (c) 'The policies of World Bank (WB) remained microeconomic in nature until 1970s' Explain. Do you think that there has been a change in the role of WB in this respect? (4+2)
- (d) Explain the notion of Dual Gap. Discuss the importance (or role) of private FDI in filling up these gaps. (2+4)
- (e) Explain the fundamental structural limits upon the development of peripheral economies as created by the historical process of dependency.
- (f) Explain the process of gradual transition from GATT to WTO.
- (g) Do you think that the spectacular growth in Chinese economy during the last few decades is simply the outcome of markets, trade and globalization? Give justification to your answer from the growth experience of China.
- (h) Describe the arguments leveled against disinvestment of public enterprises in India during the post-reform period.
- (i) Describe in brief the banking sector reforms undertaken in India and its impact on this sector. (3+3)
- (j) Explore the changing pattern of fiscal deficit since the early 1990s. Why is fiscal deficit being currently considered a major area of concern? (3+3)
- (k) What do you mean by convertibility in current account and convertibility in capital account? Examine the justifications for such convertibility during the post-reform period in India. (2+4)
- (l) Explain different programmes implemented by the state to eradicate poverty in India since 1991.
- (m) Examine the issue of land acquisition in relation to SEZ in India. What are the advantages and disadvantages of SEZ? (2+4)
- (n) Explain the general trend of State Domestic Product of West Bengal during the last few decades and indicate the changes in the contribution of different sectors towards NSDP.
- (o) What has been the growth of informal sector in West Bengal during the last two decades? How do you explain this growth? (4+2)