

**Bangabasi College**  
**Test Examination, 2015**  
**B.Sc (Hons.) (1+1+1 System), Part III**  
**ECONOMICS (Hons) Paper V & VI**

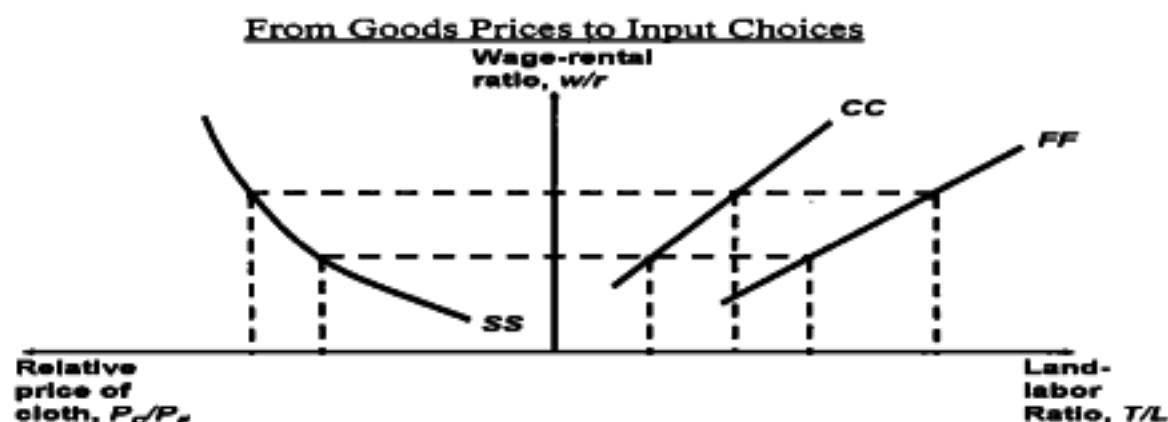
Full marks: 50 + 50

Time: 4 Hrs.

**Section A**

1. Answer any *five* questions (5 × 4):

- (a) 'Trade between two countries can benefit both countries if each country exports that good in which it has comparative advantage'. Justify.
- (b) Suppose you have the following diagram for a country under the 2 factor Heckscher-Ohlin framework, where C stands for cloths and F refers to food production:



Given the information in the above figure, how does a decrease in the relative price of cloth affect the use of land and labor in the respective sectors?

- (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 is the equilibrium relative price determined? Why is the relative demand curve (RS) downward sloping? (2+2)
- (e) What is 'biased growth'? Explain with the help of a diagram.
- (f) 'A transfer worsens the donor's terms of trade if the donor has a higher marginal propensity to spend on its export good than the recipient.' Discuss
- (g) Using offer curves of two nations, logically explain the stability of international equilibrium.
- (h) What happens to the international terms of trade when a small country imposes tariff? Explain.
- (i) What is meant by the J – Curve effect?
- (j) Distinguish between normative approach and positive approach to public economics.
- (k) What are the basic reasons for market failure in the provision of social goods?
- (l) What is public finance?
- (m) Distinguish between public provision and public production?
- (n) What are the instruments of Stabilization Policy of the Government?
- (o) What is meant by horizontal equity and vertical equity?
- (p) What is a Tax? What are the canons of taxation?
- (q) Distinguish between public goods and merit goods.
- (r) Distinguish between conditional and unconditional aid?

- (s) What is the difference between budget deficit and fiscal deficit?
- (t) Distinguish between: unit tax and *ad valorem* tax.

2. Answer any *three* questions (3 × 10):

(a) Consider two countries A and B producing two goods X and Y with a single factor labour. The unit labour requirements for X and Y are respectively 4 and 1 in country A, and 5 and 2 in country B. The total availability of labour in A and B are 400 units and 500 units respectively.

i. Draw the PPFs for the two countries.

ii. In the absence of trade what are the relative prices of X in the two countries?

Construct the world's relative supply curve.

If the world's relative demand curve is such that relative demand for X = 1/2 relative price of Y, what is the equilibrium relative price of X? (2+3+5)

(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?" (3+3+4)

(c) 'If the factor endowment ratios in the two trading countries are widely differing, free trade may not lead to factor price equalization' - explain the statement.

(d) Is economic growth in the rest of the world good or bad for a nation? Explain.

(e) Are the effects of a tariff on importables and an equivalent import quota the same on the domestic production of import substitutes? Explain.

(f) Distinguish between fixed and flexible exchange rate systems.

(g) Derive the Marshall-Lerner condition for improving the trade balance through devaluation.

(h) Define Fiscal Position. What are the determinants of fiscal position? (3+7)

(i) What is Negative Tax? What is Budget Multiplier? Explain (5+5)

(j) Derive the balanced budget multiplier. Is it always unity? (7+3)

(k) Briefly discuss the Ability to Pay Approach to taxation.

(l) Examine the debate on the issue of separation of debt from monetary management.

(m) What are the effects of sales tax on work effort? Explain.

(n) What are the effects of tax policy on the savings? Discuss.

## Section B

3. Answer any *five* questions (5 × 4):

(a) What are the two aspects to the measurements of income inequality across the world?

(b) Can global inequality be higher than international inequality? Give reasons.

(c) What is the basic difference between a 'feudal' and 'Semi-feudal' character of a pre-capitalist society?

(d) Distinguish between mercantile phase and industrial phase of capitalism.

(e) Mention two features of New Economic Policy in Soviet Union.

(f) What are the basic components of IMF's stabilization program?

- (g) Distinguish between the objectives (or purposes) of IMF and World Bank.
- (h) Mention the basic objectives of UNCTAD.
- (i) Distinguish between export promotion and import substitution policies? Name two countries which followed the two policies?
- (j) Distinguish between Foreign direct Investment and Foreign Portfolio Investment.
- (k) Indicate some of the basic differences between GATT and WTO.
- (l) Mention any two causes behind the macroeconomic crisis of 1991.
- (m) What are the direct and indirect instruments of monetary policy of RBI?
- (n) How FDI is different from FPI?
- (o) What is privatization?
- (p) Mention two arguments in favor of disinvestment of PSUs.
- (q) What are the objectives of NREGA?
- (r) What do you mean by State Domestic Product? Mention any official source of statistics on State Domestic Product in West Bengal?
- (s) Mention two features of land reform policy of the state of West Bengal during the last twenty-five years?

**4. Answer any *three* questions (3 × 10):**

- (a) How can you assess the development gap between nations on the basis of growing income inequality across the world? Give illustration from the experiences of some rich and poor countries.
- (b) Discuss the characteristic features of Industrial Revolution of Great Britain. What were the consequences of this Industrial Revolution in Great Britain? (5+5)
- (c) Explain the argument why priority was laid on heavy industrialization in Soviet Union in the early phase of development planning.
- (d) Discuss the basic causes of economic crisis that Great Britain had to face during 1930s.
- (e) 'The lending policy of the IMF towards LDCs is anti-developmental.' Do you agree? Give reasons in support of your answer.
- (f) Discuss the factors which reduce the efficacy of Export Promotion strategy (or Primary Outward Looking Policy) undertaken by the LDCs which mainly produce primary products.
- (g) Explain the process of gradual transition from GATT to WTO.
- (h) How was public debt attempted to be managed through the enactment of FRBM Act? What happened to the FRBM Act following the global economic crisis since 2007? (5+5)
- (i) Describe whether the arguments leveled against disinvestment of public enterprise are valid.
- (j) Describe the banking reforms undertaken in India since 1991.
- (k) Explain the different programmes implemented by the state to eradicate poverty in India since 1991.
- (l) In the post-liberalization period, India's dependency has shifted from primary sector to the tertiary sector for its growth'. – Discuss.
- (m) What do you mean by *Operation Barga*? Discuss the major debates around this policy in West Bengal. (3 +7)