

2016

M.A./M.Sc. 1st Semester Examination

ECONOMICS

PAPER—ECO-102

Full Marks : 40

Time : 2 Hours

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Use separate Answer-scripts for Group-A & Group-B

Group—A

1. Answer any *two* questions from the following : 2×2
- (a) What do you mean by exchange under non-market-clearing condition ? What is its main effect ?
- (b) What do you mean by real balance and real balance effect ?

(Turn Over)

- (c) Justify price stickiness citing any two reasons.
- (d) Explain the shape of the short run aggregate supply curve.
2. Answer any *one* question from the following : 6×1
- (a) How do you determine the positively sloped short run aggregate supply curve with the help of sticky wage model ?
- (b) Write in short different branches of macroeconomic research that emerged after the break-down of consensus macroeconomics.
3. Answer any *one* question from the following : 10×1
- (a) Explain a situation of general excess demand in the Barro-Grossman model. How is it created ? How is the equilibrium determined in such a situation if wage and price are rigid and exchanges are allowed under non-market-clearing conditions ? 2+2+6
- (b) Discuss the different reasons behind payment of efficiency wages.
Explain how the insider-outsider model accounts for the persistent high unemployment in European countries during post-1980 period ? 4+6

Group—B

4. Answer any *two* questions from the following : 2×2
- (a) Define rational expectations.
 - (b) What do you mean by 'seignorage'?
 - (c) Why is the closed economy expenditure multiplier greater than the open economy expenditure multiplier for small countries ?
 - (d) Does the shape of the BP curve depend on exchange rate ? Explain.
5. Answer any *one* question from the following : 6×1
- (a) In the context of Cogan's Model of Hyper Inflation estimate the optimum growth of money. What is its implication ?
 - (b) Explain the effectiveness of monetary policy in Mundell-Flensing model both under fixed and flexible exchange rates when capital market is closed. Explain intuitively.

6. Answer any *one* question from the following : 10×1
- (a) State and prove adaptive expectation hypothesis (AEH).
Explain the trade-off between inflation and unemployment rate under AEH. 5+5
- (b) Show and compare the effects of devaluation on the economy following monetary approach to BOP with and without non-traded goods. 5+3+2
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