2017

M.A. / M.Sc.

1st Semester Examination

ECONOMICS

PAPER—ECO-102

Subject Code—04

Full Marks : 40

Time : 2 Hours

The figures in the right-hand margin indicate full marks.

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

Illustrate the answers wherever necessary.

Group—A

1. Answer any *two* questions of the following : 2×2

(a) Why is transaction needed to be kept suspended under non-market-clearing conditions in a perfectly competitive market ?

(b) Distingusih between national equilibrium and effective equilibrium in a perfectly competitive market.

(c) What is the key difference between Keynesian and neo-Keynesian macro-economic theory ?

(d) What is the basic proposition of the efficiency wage theory ?

2. Answer any *one* of the following questions : 1×6

(a) Explain the basic adjustment mechanism of output and employment in a situation of general excess supply with wage-price rigidity.

(b) Explain the 'Menu Cost' theory.

3. Answer any *one* of the following questions : 1×10

(a) Describe briefly the basic model of Barro and Grossman in the explanation of output and employement in an economy under non-market-clearing conditions.

(b) Critically discuss the Real Business Cycle theory.

Group—B

4. Answer any *two* questions from the following : 2×2

(a) Define Natural Rate of Unemployment Hypothesis.

(b) What is seignorage ? How is it measured ?

(c) What is the shape of Phillips curve under Rational Expectation ? Why ?

(d) Briefly explain the concept of 'rule versus discreation'.

5. Answer any *one* question from the following : 1×6

(a) Explain the Cagan Model of Hyper Inflation.

(b) State and prove the Adaptive Expectation Hypothesis.

6. Answer any *one* question from the following : 1×10

(a) Show that BP curve is vertical in Mundell-Flemming model when capital market is closed/insensitive to interest rate. Analyze the effectiveness of monetary policy under both closed and flexible exchange rate regime in Mundell-Flemming model when capital market is closed/insensitive to interest rate.

4+3+3

(b) (i) What are the basic assumptions of monetary approach to BOP theory?

(ii) Which kind of countries fit better to this theory?

(iii) In which case we should use the above model with non-traded goods?

(iv) Discuss intuitively the effect of monetary expansion in the model of monetary approach to BOP with non-traded goods. 2+2+2+4

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