2009

M.A./M.Sc.

2nd Semester Examination

ECONOMICS

PAPER—V (EC–1201)

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.

Answer *all* questions.

1. Answer any *five* questions : 2×5

(a) What is the role of money in the Barro-Grossman Model of output and employment determination?

(b) What do you mean by Neo-classical counter revolution?

(c) How is the real balance effect incorporated in the Barro-Grossman Model?

(d) Why is transaction kept suspended in non-market-clearing condition under perfect competition?

(e) Define the term 'Perfect Capital mobility'.

(f) What is the difference between closed economy and open economy?

(g) Why does the balance of payment schedule become horizontal in case of Perfect Capital mobility?

(h) What do you mean by sticky wage?

(i) What is Brouwer Fixed-Point Theorem?

(j) Mention one of the characteristics of the New Classical Economics (NCE).

2. Answer any *two* questions : 2×5

(a) State the differences between Adaptive Expectations and Rational Expectations.

(b) Give an outline on Walrasian general equilibrium system.

(c) Explain the nature of labour supply function in the Barro-Grossman Model.

(d) Point out the approaches of New Classical economists and New Keynesian economists to define microfoundation of macroeconomics.

3. Answer any *two* questions : 10×2

(a) Explain how are the equilibria in output and employment determined in the Barro-Grossman Model in a situation of general excess supply.

(b) (i) How the nominal wage rate is adjusted to have upward sloping aggregate supply curve as explained by sticky wage model? 6

(ii) Give implication of the equation for the balance of payment schedule in Mundell-Fleming Open Economy model. 4

(c) Graphically explain the following situations of Mundell-Fleming model.

(i) Expansionary fiscal policy is highly effective in a system of fixed exchange rate with Perfect Capital mobility regime. 5

(ii) Monetary policy is highly effective in flexible exchange rate with Perfect Capital mobility. 5

(d) 'With rational expectations monetary policy would be rendered ineffective'—Elucidate this statement.