2011

M.A/M.Sc.

2nd Semester Examination

ECONOMICS

PAPER—V (ECO-201)

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 *five* of questions : 2×5

(a) Mention any two characteristics of the worker's misperception model that distinguish it from the sticky wage model. 2

(b) What menu cost ? 2

(c) Distinguish between notional and effective output supply curve in the Barro-Grossman model. 2

(Turn Over)

(d) What is Rational Expectation? 2

(e) What is the shape of long-run Phillips curve when expectations are formed adaptively 2

(f) If Japan has low inflation and Mexico has high inflation, what will happen to the exchange rate between the Japanese yen and Mexican peso? 2

(g) Distinguish between nominal exchange rate and real exchange rate. 2

(h) What does the term 'small' refer to in case of a small open economy? 2

(i) Can you capture the situation $P_t^e = P_{t-1}$ in the Adaptive Expectation School? If not, why? 2

(j) What do you understand by perfect capital mobility in the Mundell-Fleming Model? 2

Group—B

2. Answer any *two* questions : 2×5

(a) How can you explain the short-run relationship between price and output level with the help of imperfect information model? 5

(b) Set up the basic model of income and employment determination as developed by Barro and Grossman. 5

(c) What do you mean by seignorage? Find out the optimal seignorage in the Cagan Model of Hyper Inflation.

(d) Establish with the help of Sticky Price model that long run aggregate supply curve is vertical, while it is upward rising in the short-run.

Group—C

3. Answer any *two* questions : 10×2

(a) Explain the short-run aggregate, supply with the help of worker's misperception model.

What will happen if there was no misperception on the part of the workers? 7+3

(b) Analyse the trade-off between unemployment rate and aceleration of the inflation with the help of Adaptive Expectation Model. 10

(c) 'With Rational Expectations, Monetary Policy would be rendered ineffective (Sergent and Wallace, 1975)' —Illustrate this statement. 10

(d) How are aggregate income and exchange rate determined in small open economy Mundell-Fleming model ? What policy do you suggest to raise aggregate income under floating exchange rate system ?

5+5