

P.G. 1st Semester - 2017

ECONOMICS

Paper : MECOCCT-102

Full Marks : 40

Time : 2 Hours

The figures in the right-hand margin indicate marks.

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

Answer any four of the following.

1. a) What is Walrasian law? How does macroeconomics employ it to eliminate the explicit treatment of bond market?
b) Examine the factors that restrict the effectiveness of fiscal policy as a means to increasing aggregate income. (2+4+4)
2. Differentiate between effective demand and notional demand. Discuss the Barro and Grossman disequilibrium model involving excess demand and excess supply. (3 + 7)
3. Examine two major differences between rational and adaptive expectation. With rational expectations, what is the outcome in an economy when a policy is

anticipated and unanticipated? Discuss the behavior of aggregate supply when government spends on consumption as opposed to investment. (3+4+3)

4. Define crowding out effect. Under what circumstances is fiscal policy more effective in influencing the level of income in economy than monetary policy and vice-versa? (2+8)
5. Write short notes on: (5+5)
 - a) Business Cycle and Technological Shocks
 - b) Insider-Outsider Model
6. How does an open economy change the nature of IS-LM model? If an economy's exchange rate is fixed and it has imperfect capital mobility, analyze the effect of reduction in taxes in short and long runs. (4+6)
