

RAMAKRISHNA MISSION VIDYAMANDIRA

(Residential Autonomous College affiliated to University of Calcutta)

B.A./B.Sc. FOURTH SEMESTER EXAMINATION, MAY 2024

SECOND YEAR [BATCH 2022-25]

ECONOMICS [HONOURS]

Paper : CC 9

Date : 22/05/2024

Time : 11 am – 1 pm

Full Marks : 50

Group - A

Answer **any three** questions:

[3×5]

1. Explain how the following will be recorded in the BOP account of India: India imports BMW from Germany and pays by cheque in marks.
2. We know that BOP account is always balanced. Why then should a government be concerned about a large current account deficit?
3. Consider two countries X and Y. X imports raw materials for medicines from Y and exports foodgrains to Y. Do you think in this situation devaluation of domestic currency will be helpful for X? Why?
4. Traders in the asset market suddenly learn that the interest rate on dollar will decline in near future. Use diagrammatic analysis to determine its effect on current dollar/rupee exchange rate if interest rate on dollar and rupee deposits do not change.
5. What are the different types of expenditure switching policies?

Answer **any one** question:

[1×10]

6. Find out the different combinations of government expenditure and exchange rates that ensure internal and external balance. From this derive the Swan diagram. What will the regions off the curves imply?

[3+3+2+2]

7. Consider the Mundell-Fleming model. Find out the impact of monetary policy when :

(i) there is no capital mobility and exchange rate is flexible.

(ii) there is perfect capital mobility and exchange rate is flexible.

[5+5]

Group - B

Answer **any three** questions:

[3×5]

8. What is Say's Law? What conditions are required for Say's law to be applicable in a money economy?
9. What is 'Keynes effect'? Explain.
10. Distinguish between Trend Stationary and Random Walk processes.
11. What is Solow Residual? How is it used in Real Business cycle Models?
12. Explain some reasons behind both workers' and firms' preference towards long term implicit contracts.

[2+3]

(3+2)

Answer **any one** question:

[1×10]

14. a) Consider the Real Business Cycle model. Suppose there is a negative technological shock. Explain how the economy will adjust itself to such shock.
b) Negative technological shock implies decline in the state of technology. How does the proponents of Real Business Cycle justify such decline? Explain.
15. a) What do you mean by 'Menu Cost'? How can menu cost explain price rigidity?
b) It has been often observed that significant price rigidity exists even when menu cost is quite low. How can Aggregate Demand Externality explain such phenomenon?

[6+4]

[(2+4)+4]