

Name:  
Enrolment No:



**UNIVERSITY OF PETROLEUM AND ENERGY STUDIES**  
**Online End Semester Examination, May/June 2021**

**Program: MA in Economics**  
**Course: Macroeconomics-II**  
**Course Code: ECON 7017**

**Semester: II**  
**Max. Marks: 100**  
**Duration: 3 Hours**

**SECTION A**

1. Each Question will carry 5 marks.
2. Attempt all the questions. Write very short answer.

S. No	Question	COs
1.	Explain behavioural coefficient $x$ in the export function $X = X_a - xY$ . What happens to IS schedule when there is an increase in $x$ ?	CO1
2.	Why is the labour supply curve positively sloped?	CO2
3.	Explain the difference between the function $W = f(p)$ , the nominal wage as a function of the price level, and $gW = f(\pi)$ , the growth of the nominal wage is a function of the inflation rate.	CO1
4.	Why is there a tradeoff between unemployment and prices in the short run?	CO2
5.	What is rational expectations and how is it different from an adaptive expectation?	CO1
6.	Explain sacrifice ration in terms of unemployment.	CO1

**SECTION B**

1. Each Question will carry 10 marks.
2. Attempt all the questions. Write short answer.

7.	What is Phillips curve? Is there an inverse relationship between unemployment and the rate of inflation in the long run?	CO2
8.	The rational expectations approach suggests that anticipatory monetary policy is neutral even in short run. Discuss.	CO3
9.	Compare the Lucas model of aggregate supply with Mankiw's menu cost model of aggregate supply.	CO3
10.	What is the BP (Balance of Payment) schedule for an open economy? What determines its slope? What causes shifts in the BP curve?	CO2
11.	What do you mean by adaptive expectations? Explain how with their help Friedman proves that Phillips curve is vertical in the long run.	CO4

**SECTION C**

1. Each Question will carry 20 marks.
2. Write long answer.

12.	Suppose there is an increase in the price level in an open economy with flexible exchange rates, What happens to the nominal exchange rate and to the real exchange rate? Can an appreciation of the nominal exchange rate be associated with a depreciation of the real exchange rate?	CO4
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