

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI 6000086
(For candidates admitted during the academic year 2015-16 & thereafter)

SUBJECT CODE: 15EC/RC/AE105

M.Phil. DEGREE EXAMINATION, FEBRUARY 2018
ECONOMICS
FIRST SEMESTER

COURSE : CORE

PAPER : ADVANCED ECONOMIC THEORY

TIME : 3 HOURS

MAX. MARKS: 100

**ANSWER ANY FIVE QUESTIONS. EACH ANSWER SHALL NOT EXCEED
1200 WORDS. (5*20=100)**

1. How does the interest rate affect the demand for future consumption? Why is the opportunity cost of current consumption reflected in the rate of interest?
2. Show that a dominant strategy equilibrium is a Nash equilibrium. What is a Nash equilibrium in a normal form of game?
3. Consider a two-person two-good economy. Two persons have the same increasing utility function whose indifference curves are strictly convex to the origin. Explain why the two persons receive the same bundle at any fair allocation.
4. Explain Sen's measure of poverty and elucidate its link with inequality.
5. "If Walras Law is discordant with Keynesian economics, then the established theory of household behaviour was incompatible with Keynes". Justify reinterpretation of Keynes as a Non-Walrasian equilibrium as given in the above statement.
6. "The New Classical Macroeconomics was widely considered to have accompanied the monetary campaign against Keynesianism". Give arguments in favour of the statement.
7. Elaborate Mundell-Fleming model as an extension of the IS-LM model. What is Mundell-Fleming 'trilemma'?
8. Examine the cases for and against the Fixed and Flexible Exchange Rates. Argue whether fixed or flexible exchange rate suitable for a developing country like India.
9. What is globalisation? Identify the driving forces pushing forward worldwide interdependence. Analyse the nature and effect of current protectionism.
10. Explain financial crisis due to price boom and busts. Suggest suitable measures to prevent financial crisis,
