

M.A./M.Sc. 1st Semester Examination, 2023

ECONOMICS

(Advanced Macroeconomics)

PAPER—ECO-102

Full Marks : 50

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

GROUP — A

I. Answer any two questions : 2 × 2

1. Why is it thought that the Keynesian theory of economics lacks micro-foundation ?
2. What is meant by policy irrelevance ?

3. How is the real business cycle theory different from the theory of rational expectation in explaining the business cycle ?
4. Briefly explain the nature of the output demand curve in the Barro-Grossman model.

II. Answer any **two** questions :

4 × 2

5. Frame and explain intuitively the Euler equation under the OLG framework.
6. Critically explain the basics of menu cost theory.
7. Can you explain the stagflation of the 1970s in the Keynesian model of aggregate demand and aggregate supply ?
8. Discuss the dynamic inefficiency of the Diamond model.

III. Answer any one question : 8 × 1

9. Critically discuss the efficiency wage theory.
10. Show that the Keynesian model of underemployment equilibrium is one of the cases in the Barro-Grossman model.

GROUP – B

I. Answer any two of the following questions : 2 × 2

11. What is the natural rate of unemployment hypothesis ?
12. Define hyperinflation and give two examples.
13. What is the shape of the Phillips Curve under the rational expectations hypothesis ?
14. What is seigniorage ?

II. Answer any two of the following questions : 4 × 2

15. Explain why the Individual Liquidity Preference Schedule (LPS) is a step function while the aggregate LPS is downward sloping.

16. Explain Hall's Random Walk Hypothesis.

17. Derive the Expectation-Augmented Phillips Curve and illustrate the relationship between inflation and unemployment.

18. Explain the distinctive features of Malinvaud's Unemployment Disequilibrium Model.

III. Answer any one of the following questions : 8 × 2

19. Explain the trade-off between inflation and unemployment under the Adaptive Expectations Hypothesis in the short run and in the long run.

20. In the context of Cagan's model of hyperinflation, demonstrate that the price at time 't' depends on the future expected money supply. Derive the optimum growth of money under seigniorage and interpret it.

[Internal Assessment — 10 Marks]
