

M.A. Economics First Year First semester Examination 2018

Macroeconomics I

Time: 2 Hours

Full Marks 30

Answer any two of the following questions

2 x 15 = 30

1. Consider the Bernanke – Blinder model. How will an increase in CRR affect the level of GDP in this model? Derive the result both diagrammatically and mathematically explaining every step in the derivation. [15]
2. Consider the modified IS-LM model, where the financial sector has been conceived in terms of flows. Examine how an increase in government expenditure financed by borrowing from the central bank affects the level of GDP in this model. Explain the adjustment process showing how processes of generation of income, saving, credit and spending are inextricably inter-related. [15]
3. Show that money is neutral in Mankiw's model in the absence of menu cost. [15]