

M.A. Economics First Year First semester Examination 2018

Macroeconomics I (OLD)

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]

Or

Identify the school of thought which posited consumption as a function of real wage rate. What is the rationale of such a consumption function? On what ground can one make consumption a function of real income? How can the two types of consumption function be reconciled? [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]

Or

2 x 15 = 30

What are the distinguishing features of Structuralist Macroeconomics? Develop a two-sector macroeconomic framework and derive Harrod's foreign trade multiplier. [15]

3. Show that money is neutral in Mankiw's model in the absence of menu cost. [15]

Or

Discuss any three of the following five topics: (i) NAIRU and NRU (ii) Short-run and Long-run Phillips Curve, (iii) Real Business Cycle Theory, (iv) Malinvaud's theory on wage-cut as unemployment policy, (iv) Degree of capital mobility and effectiveness of monetary policy.

5 x 3 = 15