consider it profitable to raise the prices of their products? Why is this argument untenable? Explain.

5+5+5=15

3. a) Write down the equations of the inverse labour demand and inverse labour supply functions and the equilibrium condition of the Shapiro-Stiglitz efficiency wage model of involuntary unemployment. Show the solution of this equilibrium condition in a diagram and indicate the equilibrium level of involuntary unemployment.

b) How will the schedules representing these functions in the diagram be affected following a given increase in the number of firms in the model and how will the level of involuntary unemployment be affected? Explain.

c) Derive this result mathematically explaining every step. 5+5+5=15

MASTER OF ARTS EXAMINATION, 2023

(1st Year, 1st Semester)

ECONOMICS

[MACROECONOMICS - I]

Time : Two Hours   Full Marks : 30

Answer any *two* from the following questions:

1. a) Write down the aggregate demand and aggregate supply functions of the neoclassical theory of trade cycles and, thereby, derive and explain the value of the expected price of the economic agents.

b) Using your answers to (a), show how the neoclassical theory explains trade cycles.

c) Why is this explanation unsatisfactory? Explain.

5+5+5=15

2. a) Why do the neoclassical and Keynesian demand-pull theories of inflation fail to explain continuous increase in prices in capitalist countries? Explain in brief.

b) Why does the mainstream cost-push theory of inflation fail to explain the continuous increase in the prices of goods and services in capitalist countries? Explain in brief.

c) On what ground does the mainstream macroeconomics argue that the capitalists may not