

MASTER OF ARTS EXAMINATION, 2024

(1st Year, 1st Semester)

ECONOMICS**[MACROECONOMICS I]**

Time : Two Hours

Full Marks : 30

Answer **any two** from the following questions :

- b) Derive the inverse labour supply function in the case of imperfect monitoring. Explain it. 8
3. a) Write down the aggregate demand function of the neoclassical theory of trade cycles and explain it. 3
- b) Write down the aggregate supply function of the neoclassical theory of trade cycles. Present it in a diagram and explain it. 3
- c) In the neoclassical theory of trade cycles, how do the people form their expectation regarding P? Explain. 9

1. a) Consider Mankiw's model of menu cost. The utility function of the representative household is given by

$$U = \frac{1}{1-\phi} \sum_{i=1}^N q_i^{(1-\phi)} + \phi \log M - L.$$

Derive the demand functions for q_i and M. 5

- b) Suppose the production function of the i^{th} monopolist is given by $q_i = L_i$. Derive the optimum values of q_i and (P_i / W) . Specify the equilibrium condition of the money market and derive the equilibrium value of W. 5
- c) Is money neutral in this model in the absence of menu cost? 5
2. a) Consider the Shapiro-Stiglitz model. Derive the labour demand function. Show the equilibrium in the case of perfect monitoring in a diagram and explain it. How will this equilibrium be affected if the number of firms increases? 7