POST-GRADUATE COURSE

Term End Examination — June, 2022/December, 2022

ECONOMICS

Paper-VIII : MACROECONOMIC THEORY

Time : 2 hours]

[Full Marks : 50

Weightage of Marks : 80%

Special credit will be given for precise and correct answer. Marks will be deducted for spelling mistakes, untidiness and illegible handwriting. The figures in the margin indicate full marks.

Use of scientific calculator is strictly prohibited.

1. Answer any *four* of the following questions : $2\frac{1}{2} \times 4 = 10$

   a) What is meant by 'adaptive expectations' ?

   b) What is demand externality ?

   c) What is Walras' Law ?

   d) What is the Golden Rule of Accumulation ?

   e) What is meant by 'real balance effect' ?

   f) Distinguish between effective and notional demands in macroeconomic theory.

2. Answer any *four* of the following questions : $5 \times 4 = 20$

   a) Why is the BB curve upward sloping in the neoclassical macromodel ?

   b) Under the Efficiency Wage Hypothesis, show that higher the efficiency wage paid, lower is the demand for labour.

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c) How does technological shock generate real business cycle ?

d) How does nominal wage rigidity result in involuntary unemployment ?

e) When would you expect the Phillips' Curve to be vertical even in the short run ?

f) How is the rate of profit determined in an one sector neoclassical growth model ?

3. Answer any *two* of the following questions : $10 \times 2 = 20$

a) How would you characterize the dynamic inefficiency in an inter-temporal model of macroeconomy ?

b) Show how automatic full employment equilibrium and neutrality of money could be obtained without Say's Law of Markets and the Quantity Theory of Money.

c) Show that if the savings propensity of the capitalists exceeds that of the workers, [$s_c > s_w > 0$], then under steady state, the rate of profit in the economy is independent of the savings propensity of workers.

d) Consider a demand-constrained dual economy model where the propensities to consume differ between classes of income earners. Determine output levels in both the sectors and show that when the inter-sectoral terms of trade moves in favour of the industrial sector, output of the industrial sector shall contract. Explain your answer.