B.A. (Honours) Examination, 2016
Semester – III
Economics
Course: H-6 (Core)
(Macroeconomics-II)

Time: Three Hours **Full Marks: 40**

Questions are of value as indicated in the margin

Answer *any four* from the following

1. a) Derive the aggregate supply curve of the Classical System using a four-quadrant diagram. Briefly analyse any one condition, for which there is a rightward shift of this aggregate supply curve.
   b) How do you derive the aggregate demand curve in the Classical Model?
   (5+2)+3=10

2. How does the traditional Phillips Curve empirically complement the policy outcomes of the Complete Keynesian System? 10

3. What were the fundamental critiques of the Keynesian System, as emerged during the late 1970's? What are the fundamental elements of the New Classical Macroeconomics? 5+5=10

4. What are the short-run & long-run effects of an expansionary policy under the following conditions:
   a) Adaptive expectation hypothesis
   b) Rational expectation hypothesis
   Discuss your answer using a usual Aggregate-demand curve & an Expectation-augmented Aggregate-supply curve. 10

5. What do you mean by the Life-Cycle Consumption Function Hypothesis? How does this LCH reconcile the short-run variability of APC & its long-run constancy? 2+8=10

6. Do you think that the consumption function hypothesis are extremely important from the policy perspective? Explain your answer with the help of the different policy implications that are derived from the different hypothesis, such as, Absolute Income Hypothesis and Permanent Income Hypothesis. 10

7. a) Define & differentiate between the MEC & MEI criteria.
   b) What is the basic problem with the Keynesian speculative Demand for Money, as highlighted by Tobin? 5+5=10

8. Write short notes on (***any two***): 2×5=10
   a) Stagflation
   b) Net Present Discounted Value
   c) Stagnation thesis
   d) Portfolio balance
   e) Internal rate of return