B.A. (Honours) Examination, 2019

Semester–IV (CBCS)

Economics

Course – CC-9

(Intermediate Macroeconomics-II)

Time: Three Hours **Full Marks: 60**

Questions are of value as indicated in the margin.

1. Answer ***any eight*** questions from the following: 2×8=16

(a) Why are expectations on rate of interest regressive in Keynesian theory of money demand?

(b) Define critical rate of interest.

(c) Whom do you call the plungers? How do they behave on liquidity preference?

(d) What is the difference between Keynesian Transaction demand for money and Baumol's Transaction demand for money?

(e) State the monetarist's position on the role of money.

(f) Why do people hold money according to Milton Friedman?

(g) Why do we need to calculate present value of returns before taking up a project?

(h) What do you mean by marginal efficiency of investment?

(i) "An increase in income in any one period y_t requires a decrease in income in some after period" explain.

(j) State the basic propositions of "Rational expectations".

(k) Is there any difference between the monetarist's position and Keynesian position with respect to monetary policy actions?

(l) What are the factors responsible for fluctuations in output and employment according to Real Business Cycle Theorists?

(m) State the New Keynesian assumption on market, ways and prices.

2. Answer ***any five*** questions: 4×5=20

(a) Suppose we have two investment projects bath with cost C=1. Both projects have zero return in period 1 project I given return 0 in period 2 and 4 in period 3 while project II returns 2 in period 2 and 1 in period 3. Calculate the values of marginal efficiency for these two projects. What do you infer from thevalues? Do you have the same result if you take r=1 and use PV criterion.

(b) Write a note on Tobias "q" theory of investment.

P.T.O.

(c) Derive the simple accelerator.

(d) What are the basic assumptions of Solow model of growth?

(e) How the warranted growth rate is determined in Harrod model? In Harrod model show that a departure from equilibrium, instead of being self-correcting, will be aggravating.

(f) Derive the individual money demand function in Regressive Expection model.

(g) Write a note on Friedman's restatement on QTM.

(h) Briefly discus the critique of new classicals on Keynesian views 1 on monetary policy? In what respect new clasicals are different from the classicals.

3. Answer ***any two*** questions: 12×2=24

(a) (i) Discuss the diversifiers portfolio decision in Tobins theory on liquidity preference.

(ii) Show that $n = \left(\frac{rTY}{2a}\right)^{1/2}$, n = no. of transactions $r \Rightarrow$ rate of interest, $T \Rightarrow$ Time length, $Y \Rightarrow$ Transaction Cost. 6+6

(b) (i) Using Jorgenson model of investment demand assuming a Cobb-Douglas production function derive $K^E = \frac{\alpha PY}{C}$ where K^E equilibrium capital stock, $P \Rightarrow$ Price level, $Y \Rightarrow$Output, $C \Rightarrow$ User Cost of capital good.

(ii) In P_V criterion for investment show that the firms need to maximise the present value of output only nothing else. 6+6

(c) (i) Mathematically derive the fundamental equation for capital accumulation in Solow model and interpret it.

(ii) Discuss in brief, the role of natural rate of growth in Harrod model. Is there any automatic adjustment mechanism to reconcile the divergence between g_n and g_w. 6+6

(d) (i) Discuss the New classical policy conclusions anticipated or unanticipated?

(ii) In a Simple Business Cycle model show that position shock to Technology explains fluctuation of output persisting for long period. 6+6