

**B.A. (Honours) Examination, 2014**

**Semester – III**

**Economics**

**Paper – H-6**

**(Macroeconomics-II)**

**Time: 3 Hours**

**Full Marks: 40**

*Questions are of value as indicated in the margin.*

Answer *any four* questions from the following.

1. Derive graphically and analytically a usually shaped Aggregate Demand curve from IS-LM framework. How and why does this AD curve shift due an expansionary fiscal policy? What should be the shape of AD under a recessionary situation? 4+4+2=10
  2. (a) Give a brief outline of the Life Cycle hypothesis.  
(b) How does the Life Cycle hypothesis solve the consumption puzzle? 6+4=10
  3. (a) What is “internal rate of return” of an investment project?  
(b) Bring out the difference between MEC and MEI. 4+6=10
  4. Present a critical analysis of the Keynesian theory of Liquidity Preference. In this context, discuss how Tobin develops this theory. 5+5=10
  5. What are ‘high powered money’ and ‘credit money’? Elaborate the time sequence of successive rounds of money creation resulting from an initial once and for all increase in high-powered money and hence derive the money multiplier. 2+8=10
  6. (a) Distinguish between the concepts of adaptive expectations and rational expectations.  
(b) Explain the relation between the adaptive expectation based aggregate supply function and the Phillips curve. 5+5=10
  7. (a) Develop the expectations-augmented aggregate supply function using the workers’ misperception model of the labor market.  
(b) What are the policy implications of such an aggregate supply function? 6+4=10
  8. When and why can you have policy irrelevance and even relevance under Rational Expectation? Discuss these results with the help of AD-AS framework in the presence of anticipated and unanticipated demand-shocks. 6+4=10
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