

**MASTER OF ARTS (ECONOMICS)**

**Term-End Examination**

**June, 2007**

**MEC-002 : MACROECONOMIC ANALYSIS**

*Time : 3 hours*

*Maximum Marks : 100*

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**Note :** *Attempt questions from each section as directed.*

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**SECTION A**

**Long Answer Questions :** *Answer any two questions from this section in about 500 words each.*

1. Explain equilibrium output and interest rate on the basis of IS-LM model. How do you derive IS and LM curves ? 20
2. What is endogenous growth model ? What are its implications ? 20
3. Explain the trade-off between inflation and unemployment when we assume the prevalence of adaptive expectations. 20
4. Describe the overlapping generations model. Explain how multiple steady state is obtained in such a model. 20

## **SECTION B**

**Medium Answer Questions** : Answer any **three** questions from this section in about 250 words each.

5. Explain the prevalence of wages higher than market-clearing wage rate on the basis of efficiency-wage theory. 12
6. Explain how internal and external balance is maintained under fixed exchange rate. 12
7. Critically examine the theory of political business cycle by Kalecki. 12
8. What do you mean by real rigidities ? Why do real rigidities occur in the credit market ? 12
9. Explain the concept of Phillips curve. What are the costs of unemployment and inflation to the society ? 12
10. Discuss the main criticisms of macroeconomic models by Lucas. 12

**SECTION C**

**Short Answer Questions** : Answer any **three** questions from this section in about 100 words each.

11. Distinguish between the concepts of REER and NEER. 8
12. How does population growth affect the steady state in the Solow model ? 8
13. Explain the factors that affect consumption and saving. 8
14. Bring out the significance of the search theory of unemployment. 8
15. Write a short note on liquidity trap. 8
16. Write a short note on new classical business cycle theory. 8