

MASTER OF ARTS (ECONOMICS)

Term-End Examination

June, 2006

MEC-002 : MACROECONOMIC ANALYSIS

Time : 3 hours

Maximum Marks : 100

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

SECTION A

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

1. Critically examine the Solow model of economic growth. 20
2. What is the puzzle in the consumption data highlighted by Kuznets ? How does the permanent income hypothesis solve this puzzle ? 20
3. What does the Phillips curve convey ? Why is the Phillips curve a vertical straight line in the long-run ? 20
4. In an open economy with perfect mobility of capital and flexible exchange rate, explain the role of monetary policy. 20

SECTION B

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

5. Aggregate supply curve is positively sloped in the short run but vertical in the long run. Explain. 12
6. How does the efficiency wage theory justify the existence of higher than market-clearing real wage rate ? 12
7. On what grounds does Lucas criticise macroeconomic models ? 12
8. Supply curve of foreign currency is upward sloping. Explain. 12
9. Explain the reasons behind the rigidity in prices on the basis of new Keynesian theories. 12
10. What determines the value of investment multiplier in the Keynesian model ? Explain with an example. 12

SECTION C

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

11. Distinguish between the concepts of frictional unemployment and structural unemployment. 8
12. Distinguish between the concepts of adaptive expectations and rational expectations. 8
13. Explain the concept of liquidity trap. 8
14. Bring out the significance of the search theory of unemployment. 8
15. Write a short note on the insider-outsider model of unemployment. 8
16. Write a short note on the new classical business cycle theory. 8