Doon University, Dehradun
Mid Semester Examination, 2018
School of Social Science
MSc Semester – 2nd (Economics)
Course – SSEI -151
Macroeconomics-II

Time Allowed: 2 hrs   Maximum Marks: 30

Section – A

Attempt all questions   (5x2 = 10 Marks)

1. Explain the aggregate supply curve in the Keynesian economy.
2. What do you understand by labour augmenting technological progress?
3. What is Solow Residual?
4. What criterion is used to evaluate whether an economy has more or less capital than at the Golden Rule steady state?
5. Explain the process of convergence.

Section - B

Attempt any **Two** questions   (2x5=10 Marks)

1. What is a government purchase multiplier? What happens to IS curve when there is an increase in government purchase?
2. How saving affects the growth according to Solow Model?
3. How does population growth alter Solow Model?

Section-C

Attempt any **one** question   (1x10=10 marks)

1. State the effect of technological progress. Also explain how different key variables behave in the steady state with technological progress.
2. Explain the IS-LM model as an interpretation of the Keynes's theory.
3. Prove each of the following statements about the steady state with population growth and technological progress.
   a. The capital-output ratio is constant.
   b. Capital and labour each earn a constant share of an economy's income.[Hint: Recall the definition MPK=f(k+1)-f(k).]
   c. Total capital income and total labour income both grow at the rate of population growth plus the rate of technological progress, n+g.

d. The real rental price of capital is constant, and the real wage grows at the rate of technological progress g.(Hint: the real rental price of capital equals total capital income divided by the capital stock, and the real wage equals total labour income divided by the labour force.)