

## Qualifying exam Macro II Econ 7008. June 9, 2020.

Answer questions 1 and 2, and either 3(a) or 3(b)! Write answers in full sentences; do not show only math. Pay attention to the structure of your argument. Please write legibly.

1. Neo-Kaleckian demand dynamics can be described by the adjustment of actual to desired investment:  $\dot{g} = \alpha(g^d - g)$ , where  $g^d = f(u, e, \pi)$  is the desired rate of investment with  $f_u > 0, f_e < 0, f_\pi > 0$ , and  $\alpha > 0$  a speed of adjustment parameter. Complete this model with the employment rate as a second state variable, assuming (i)  $\hat{y} = g$ , (ii) an exogenously given natural rate of growth, (iii)  $s_\pi = 1, s_\psi = 0$ , (iv) that the income-capital ratio clears the goods market at any point in time, and (v) that a unique and stable steady state exists. (Recall that  $g = s_\pi \pi u$ .)
  - (a) **(20pts)** State the system, Jacobian and phase diagram; briefly describe dynamics.
  - (b) **(15pts)** Discuss: What is the effect of redistribution in this model? How does this setup differ from the neo-Kaleckian baseline?
2. Goodwin & supermultiplier:
  - (a) **(20pts)** Sketch Goodwin's 67 model of cyclical growth; include a Jacobian and phase diagram.
  - (b) **(15pts)** Critically compare and contrast Goodwin's theory with "supermultiplier" literature: both build on classical approaches, but differ in their presuppositions. How so? Is one approach preferable to the other? Why? Discuss.
3. **(30pts)** Write an essay in response to either prompt:
  - (a) Kalecki (1943), Friedman (1968), Pollin (1998) and Blanchard (AER, 2016) all discuss the ability—or lack thereof—of governments (and their monetary authorities) to achieve target levels of output and employment. Critically discuss *heterodox* theoretical arguments for and against the government's ability to achieve such targets.
  - (b) List and discuss Kaldor's original stylized facts. Consider a post-Keynesian extension of this list, to include "cyclical stylized facts." How would such an extended list look? Critically discuss.