2024

ECONOMICS — HONOURS

Paper : CC-9

(Intermediate Macroeconomics - II)

Full Marks : 65

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Group - A

1. Answer ***any ten*** questions : 2×10

(a) Explain the two relative income hypotheses propounded by Duesenberry.

(b) What do you mean by 'break-even investment' in steady state Solow Model with population growth?

(c) What do you mean by 'labour augmenting' technological progress?

(d) What is the major insight of Portfolio Theory of money demand?

(e) What is the new classical policy ineffectiveness proposition?

(f) What is the chief distinction between New Keynesian and New Classical theory?

(g) What is the fundamental equation in Solow growth model?

(h) What are the two characteristics of Real Business Cycle Models?

(i) What do you mean by Random Walk of consumption expenditure?

(j) What is knife-edge instability in Harrod's Model?

(k) Distinguish between permanent income and transitory income in Friedman's consumption theory.

(l) Explain how the Portfolio Balance Approach is an improvement over the Regressive Expectations Model of demand for money.

(m) What is the role of higher savings rate in Solow growth model?

(n) What are menu costs?

(o) Define Ratchet Effect.

Group - B

2. Answer ***any three*** questions :

(a) What do you mean by Borrowing Constraint? Explain how the consumer's choice is restricted by both intertemporal Budget Constraint and Borrowing Constraint. 5

(b) Explain why the transaction demand for money is interest elastic. 5

(c) Derive the equilibrium condition of growth in Domar Model. 5

(d) Briefly describe the AK model of growth. 5

(e) What were Keynes' three conjectures about the consumption function? Describe the evidence that was consistent with Keynes' conjectures and the evidence that was inconsistent with them. 3+2

Group - C

3. Answer *any three* questions :

(a) Determine steady state growth with Technological Progress by incorporating efficiency of labour. Explain the effect of Technological Progress on different outcome variables. Show how the introduction of Technological Progress modifies the condition for Golden Rule. 5+3+2

(b) Derive the demand for money function in the Regressive Expectations model. 10

(c) Discuss the differences between the empirically observed short-run and long-run consumption functions. How do you reconcile the difference in terms of the Ando-Modigliani theory of consumption function? 5+5

(d) Define warranted rate of growth in Harrod's model. Derive both the short-run and long-run equilibrium conditions in Harrod's model. 4+6

(e) Briefly explain the concept of interest rate rigidities and credit rationing in New Keynesian theory. 10

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