2025

ECONOMICS — HONOURS

Paper : DSCC-10

(Macroeconomics - III)

Full Marks : 75

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) Distinguish between forward-looking expectation of Rational Expectations model and backward-looking expectation of Keynesian model.

   (b) Explain intertemporal substitution of labour in RBC theory.

   (c) Define Solow residual.

   (d) What are the Keynes' Conjectures?

   (e) Define critical level of interest rate.

   (f) What is consumption smoothing?

   (g) What is absolute β convergence?

   (h) How does 'Efficiency Wage' relate to the concept of Real Wage Rigidity of New Keynesian Theory?

   (i) What is the common measure of technology shock in Real Business Cycle?

   (j) Define Borrowing Constraint.

   (k) Explain the role of wealth on consumption in Life Cycle Consumption Hypothesis.

   (l) Define 'natural rate of growth' in Harrod-Domar Growth model.

   (m) Define 'Permanent Income' as proposed by Friedman.

   (n) How do 'Plungers' behave while making Portfolio Decisions?

   (o) What are the basic features of AK Model of endogenous growth?

   (p) What is total cost of holding money in Baumol-Tobin model?

Please Turn Over

Group - B

2. Answer *any five* questions :

    (a) Explain the basic concept of Life Cycle Hypothesis by Ando-Modigliani.   5

    (b) Explain what happens when there is a temporary divergence of the actual rate of growth from the warranted rate of growth in Harrod's model.   5

    (c) Write a note on Golden Rule of Capital Accumulation in Solow's growth model.   5

    (d) Derive the aggregate demand for money function with regressive expectations.   5

    (e) Explain when Rational Expectation solution differ from Perfect Foresight.   5

    (f) Explain Friedman's assumption of 'no correlation between transitory and permanent income'.   5

    (g) What is Harrod-Domar condition? Explain the reason of instability of the condition.   2+3

    (h) Explain the concept of interest rate rigidity in New Keynesian Framework.   5

Group - C

Answer *any three* questions.

3. Determine the conditions of steady state in Solow Growth Model. What will be the impact of population growth on steady state equilibrium?   7+3

4. Explain how risk consideration is being introduced in the determination of the demand for money in Portfolio Balance Approach. Derive demand for money using the above approach.   2+8

5. Mention two relative income hypotheses proposed by Duesenberry. Explain the consumption theory based on these hypotheses.   4+6

6. Mention the distinctive feature of aggregate supply and labour supply schedule in Rational Expectation Model as compared to Keynesian Model. Explain how neutrality of money holds in Rational Expectation Model with anticipated changes.   4+6

7. Define efficiency wage as proposed by Shapiro and Stiglitz. Explain the role of No-Shirking Condition (NSC) in determining equilibrium efficiency wage.   2+8

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