2021

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.*

Section - A

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

    (a) What is the Rational Expectations Hypothesis?

    (b) What is the gift exchange motive in efficiency wage theory?

    (c) What are menu costs?

    (d) What were the anomalies regarding Keynesian conjecture that APC falls as income rises.

    (e) Define intertemporal budget constraint of a consumer in a two period framework.

    (f) According to Life Cycle Hypothesis people dissave after retirement. Do you think so? Justify your answer.

    (g) Distinguish between permanent income and transitory income.

    (h) Explain how Portfolio Balance Approach is an improvement over Regressive Expectations model of demand for money.

    (i) How is transaction demand for money affected if income is more equally distributed?

    (j) According to Baumol Tobin model, what determines how often people go to the bank?

    (k) What is knife edge instability in the Harrod model?

    (l) What is convergence? What are the two types of convergence?

    (m) State the properties of the production function of Selow model of growth.

    (n) Do you think Keynesian and New Keynesian proposition of wage rigidity to be same?

    (o) Explain whether the following statements are true, false and uncertain.

        (i) An increase in savings rate leads to a fall in the growth rate of the economy unless there is an offsetting technical progress.

        (ii) Those countries which have fostered technological progress have achieved faster growth than other.

Please Turn Over

Section - B

2. Answer *any three* questions :   5×3

   (a) Explain the Random walk hypothesis theory of consumption.

   (b) Construct a simple RBC model consisting of a single producer consumer (Robinson Crusoe parable) and show how shocks affect this single producer consumer.

   (c) Why is it said that transaction demand for money may be a function of the rate of interest?

   (d) Using Growth Accounting equations derive the selow Residual.

   (e) Write a short note on AK model of growth.

Section - C

Answer *any three* questions.

3. (a) Use Fishers model of consumption to analyse an increase in second period income.

   (b) Compare the case in which the consumer faces a borrowing constraint and a case in which he does not.   6+4

4. How do Ando and Modigliani reconcile time series and cross section findings about the relation between consumption and income?   10

5. (a) Explain the derivation of Harrod's expression for warranted rate of growth.

   (b) Examine the consequences of a departure in other direction from warranted rate of growth.   5+5

6. (a) Distinguish between steady state rate of capital accumulation and golden Rule level of capital accumulation.

   (b) How is steady state rate of capital accumulation affected if

      (i) population of a country increases

      (ii) marginal propensity to save falls.   6+(2+2)

7. (a) Let for an individual, $Y_1 = 100$, $Y_2 = 200$ and $r = 0.1$ where, Y_1 and Y_2 and r stand for income in period 1, income in period 2 and interest rate respectively. Derive the consumption function as suggested by Permanent Income Hypothesis when consumer smoothens consumption. What is the amount of consumption?

   (b) If life expectancy (N) = 72 years, (ii) retirement age (R) = 62nd year, Age of getting job is 32 and annual income $Y_L = 300,000$. Find out the lifetime income, planned working life consumption and lifetime consumption.   5+5

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