

**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 slow 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) = 62<sup>nd</sup> 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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