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14 (ECO-2) 2026

2023

ECONOMICS

Paper : ECO-2026

(Macroeconomic Theory and Policy)

Full Marks : 80

Time : Three hours

The figures in the margin indicate full marks for the questions.

1. Answer ***all*** questions : 5×4=20
- (a) How is Prescott's conceptualisation of a business cycle different from that of Hicks ?
- (b) What is the significance of Kaldor's 'Technical Progress Function' in growth literature ?
- (c) Explain learning economics in terms of 'Cash cow' and 'Problem Child' products.

Contd.

(d) Why is high Powered money considered the base of expansion of bank deposits ?

2. Answer **any three** : $10 \times 3 = 30$

(a) Following Baumol's approach to demand for money, illustrate the trade-off between liquidity and return that an individual faces and the optimum allocation of funds.

(b) Explain the concept of 'Solow Residual' in the context of Growth Accounting.

(c) Differentiate between short run and long run Phillips curve. What implications they have for the conduct of monetary policies ? $5 + 5 = 10$

(d) Derive the Harrod-Domar growth equation. Explain how divergence between GW and GN can be adjusted through policy intervention. $6 + 4 = 10$

(e) Illustrate how Friedman accepted Keynes' emphasis on the role of money as an asset in his reformulation of Quantity Theory of money as a theory of demand for money.

3. Answer **any two** : 15×2=30

(a) Explain the Steady State Growth in the neo-classical growth model. In this context, discuss the 'Convergence Debate'. 12+3=15

(b) Explain the twin optimisation problem of a representative agent in the Real Business Cycle Theory. Describe how disruptive supply side shocks generate fluctuations in the economy. Why, according to Prescott, all employment is voluntary?

(c) Discuss how changes in policy variables initiated by the Central Bank influences the behaviour of commercial banks and public to cause changes in money supply.
