Total No. of Printed Pages—7

4 SEM TDC ECOH (CBCS) C 9

2025

(May/June)

ECONOMICS

(Core)

Paper : C–9

(Advanced Macroeconomics)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Answer the following as directed : 1×8=8

(a) What is the 'consumption puzzle' identified by Kuznets?

(i) The contradiction between short-run and long-run consumption behaviour

(ii) The relationship between inflation and unemployment

(iii) The impact of taxation on consumption

(iv) The unpredictable nature of consumption behaviour

(Choose the correct option)

(b) Which of the following is not a determinant of business fixed investment?

(i) Interest rates

(ii) Corporate tax policies

(iii) Personal consumption expenditure

(iv) Expectations about future profitability

(Choose the correct option)

(c) What is steady-state equilibrium in the Solow model of economic growth?

(d) The Harrod-Domar model suggests that economic growth depends primarily on

(i) population growth and technological progress

(ii) savings rate and productivity of capital

(iii) government policies and taxation

(iv) Foreign Direct Investment

(Choose the correct option)

(Continued)

(e) Name one economist associated with the endogenous growth theory.

(f) Which of the following policies is likely to promote sustained economic growth in an endogenous growth model?

(i) Tax cuts for short-run consumption

(ii) Investment in education and R & D

(iii) Increasing government debt

(iv) Reducing capital investment

(Choose the correct option)

(g) Which policy is typically subject to shorter lags in its implementation?

(i) Fiscal policy

(ii) Monetary policy

(iii) Exchange rate policy

(iv) Trade policy

(Choose the correct option)

(h) What is meant by full employment?

(Turn Over)

2. Write short notes on any *four* of the following (**within 150 words** each) : 4×4=16

(a) The accelerator theory of investment

(b) The knife-edge equilibrium

(c) Types of technical progress

(d) Efficacy of fiscal policy in the presence of the Ricardian equivalence

(e) Limitations of new classical economics

3. *(a)* A government announces a one-time tax rebate of ₹ 2,000 per household to boost consumption. Different economists analyze the potential impact using Keynesian, life cycle and permanent income hypotheses.

(i) How would a Keynesian economist predict the effect of this rebate on consumption? 4

(ii) How might the life cycle hypothesis explain the response of young vs. elderly consumers? What would be the response according to permanent income hypothesis? 7

Or

(b) Explain the major determinants of business fixed investment. How do factors such as interest rates, expectations and income levels influence investment decisions? 4+7=11

4. *(a)* Discuss the key assumptions and limitations of the Harrod-Domar model. Why is it considered inadequate for long-term economic growth? 8+4=12

Or

(b) How does the steady-state level of capital per worker change when population growth increases? Explain in the light of the Solow model of economic growth. 12

5. *(a)* How does an increase in the savings rate affect the steady-state level of capital and output per worker? Explain using suitable diagram. 11

Or

(b) Discuss the fundamental principles of endogenous growth theory. How does it address the limitations of the Solow model? 7+4=11

6. *(a)* What are the different types of lags in macroeconomic policy? Discuss the challenges policy-makers face due to time lags in macroeconomic decision-making. 5+6=11

Or

(b) Explain the concept of government budget constraint. How does government borrowing impact future fiscal policy? Discuss. 5+6=11

7. *(a)* Compare and contrast the classical and Keynesian views on wage-price flexibility. How does each school explain unemployment? 7+4=11

Or

(b) How does supply side economics justify reductions in government regulation and taxation? Critically evaluate the empirical evidence supporting the Laffer curve hypothesis. 6+5=11

★ ★ ★