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4 SEM TDC ECOH (CBCS) C 9

2026

(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) Which of the following is not true?

(i) $APC + APS = 1$

(ii) $1 - APC = APS$

(iii) $1 - APS = APC$

(iv) $APC - 1 = APS$

(Choose the correct answer)

(b) When $MPC = 2$, investment multiplier will be

(i) 1·25

(ii) 0·5

(iii) 1

(iv) 0·83

(Choose the correct answer)

(c) Who propounded absolute income hypothesis?

(d) Tobin's q-theory of investment indicates that firms add to their stock of capital when

(i) the replacement value of their real assets exceeds the market value of their financial assets

(ii) the market value of their financial assets exceeds the replacement value of their real assets

(iii) the market value of their real assets exceeds the book value of their financial assets

(iv) the market value of their financial assets exceeds the book value of their real assets

(Choose the correct answer)

(e) If $Gw < Gn$, the economy would experience

(i) inflationary pressure

(ii) deflationary pressure

(iii) stagflation

(iv) None of the above

(Choose the correct answer)

(f) The aggregate production function of Solow model assumes constant returns to scale and diminishing marginal productivity of capital.

(Write True or False)

(g) Laffer curve shows the relationship between

(i) tax rate and tax revenue

(ii) tax base and tax revenue

(iii) revenue and expenditure

(iv) unemployment and inflation

(Choose the correct answer)

(h) Flatter the LM curve, more effective is the monetary policy.

(Write True or False)

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

(a) Inventory investment

(b) Permanent income hypothesis

(c) Actual growth rate

(d) Technological progress

(e) Ricardian equivalence

Answer the following questions (**within 500 words** each) :

3. *(a)* Discuss briefly the life cycle hypothesis. Do you think it is able to solve the consumption puzzle? 8+4=12

Or

(b) What do you mean by investment? Discuss briefly the q-theory of investment. 2+10=12

(Turn Over)

4. (a) Critically discuss the Harrod-Domar model of economic growth. 11

Or

(b) Discuss briefly the Solow model of growth.

5. (a) Discuss the endogenous growth model. Highlight the difference between Solow and endogenous growth models. 3+8=11

Or

(b) Explain why Solow model is called exogenous growth model. Discuss the impact of change in saving ratio on the growth according to the Solow model. 4+7=11

6. (a) Explain the goal of macroeconomic policy. Discuss briefly the lags of macroeconomic policy. 5+6=11

Or

(b) "Steeper the IS curve, more effective is the fiscal policy." Explain. 11

7. (a) Explain why according to the Keynesians, wages and prices remain rigid. 11

Or

(b) "The rational expectations approach suggests that anticipated changes in aggregate demand policy will be powerless to influence the real output even in the short run." Explain.

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