4 SEM TDC ECOH (CBCS) C 9

2 0 2 3

(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) Define marginal propensity to consume (MPC).

   (b) If consumption increases from 500 to 800 after an increase in income from 1000 to 1500, then MPS is equal to

      (i) 0·60

      (ii) 0·40

      (iii) 0·75

      (iv) 0·25

                     (Choose the correct answer)

(*Turn Over*)

(c) Harrod-Domar model of economic growth is based on the equilibrium between

  (i) income generation and creation of productive capacity

  (ii) savings and investment

  (iii) income and consumption

  (iv) consumption and saving

  (Choose the correct answer)

(d) Mention one limitation of the Harrod-Domar growth model.

(e) In liquidity trap

  (i) the IS curve is horizontal

  (ii) the IS curve is vertical

  (iii) investment is perfectly interest elastic

  (iv) fiscal policy is most effective

  (Choose the correct answer)

(f) When the LM curve is steeper, then following an expansionary fiscal policy

  (i) output response is more than the interest rate

  (ii) both output and interest rate change proportionately

  (iii) only output changes

  (iv) change in interest rate is large relative to the change in output

  (Choose the correct answer)

(Continued)

(g) The Keynesian school of economic thought is all about supply side economics. (Write True or False)

(h) What does the Laffer curve show?

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

(a) Keynesian consumption function and its features

(b) The accelerator theory of investment

(c) Assumptions of the Harrod-Domar growth model and their implications

(d) Lags in the effects of macroeconomic policy

(e) Features of supply side economics

3. (a) Elucidate the consumption puzzle. How does the permanent income hypothesis resolve the puzzle? Explain. 4+7

  Or

(b) (i) What is an investment function? Distinguish between business fixed investment and residential investment with examples. 2+5

  (ii) Explain the Q-theory of investment. 4

4. (a) Explain the concepts of natural growth rate, warranted growth rate and actual growth rate. What would happen if all these growth rates are not equal? 6+6

  Or

(b) Discuss the effect of population on economic growth in the light of the Solow model of growth. 12

(Turn Over)

5. *(a)* Elaborate the notions of neutral techno-logical progress, capital augmenting technological progress, and labour augmenting technological progress. What type of technological progress would you advocate for a developing country and why? 7+4

Or

(b) *(i)* How are changes in saving ratio related to economic growth? Does higher saving ratio imply faster economic growth? Explain. 4+4

(ii) How is endogenous growth model different from the Solow model? 3

6. *(a)* *(i)* Describe briefly the objectives and targets of monetary policy. 7

(ii) What is meant by budget constraint? 4

Or

(b) Discuss the factors that determine the effectiveness of fiscal policy. 11

7. *(a)* Illustrate the meaning of full employment. What is the mechanism that ensures full employment in the classical school? How do the Keynesians criticize the classical thought? 3+5+3

Or

(b) Define 'rational expectations'. Discuss the major policy implications of rational expectations hypothesis. 3+8

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