3 SEM TDC ECOH (CBCS) C 6

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(Nov/Dec)

ECONOMICS

(Core)

Paper : C–6

(Essentials of 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) Mention one proposition of the Keynesian consumption function.

    (b) What is induced investment?

    (c) What is Phillips curve?

    (d) Write the formula which is used for measuring the rate of inflation through changes in Price Index Number (PIN).

(Turn Over)

(e) The absolute purchasing-power parity theory postulates that the equilibrium exchange rate between two currencies is equal to ———— in the two nations.

(Fill in the blank)

(f) Define stagflation.

(g) Mention one important cause of BoP disequilibrium.

(h) Suggest one method of correcting disequilibrium in Balance of Payments (BoP).

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

(a) Marginal Propensity to Consume (MPC) and its significance

(b) Marginal Efficiency of Capital (MEC) and rate of investment

(c) Inflation and expectations

(d) Dornbusch's overshooting model

(e) International financial market

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

3. (a) Explain the theory of absolute income hypothesis. What are its drawbacks? 8+4=12

Or

(b) (i) Explain the determinants of consumption function. 6

(ii) What is Ratchet effect in consumption behaviour? Mention the limitations of relative income hypothesis. 2+4=6

4. (a) What is marginal efficiency of investment? Explain the relationship between Marginal Efficiency of Capital (MEC) and Marginal Efficiency of Investment (MEI). 5+6=11

Or

(b) What do you mean by gross and net investment? Explain the process of income generation through the investment multiplier with an example. 4+7=11

5. (a) Explain the relationship between inflation and unemployment with a suitable diagram. Mention the policy implications of this relationship. 8+3=11

Or

(b) Discuss critically the rational expectations theory. How does it differ from adaptive expectations theory? 8+3=11

6. *(a)* What do you mean by exchange rate determination in an open economy? Explain the absolute purchasing-power parity theory of exchange rate determination. 3+8=11

Or

(b) What are the differences between open and closed economy? Critically explain the Mundell-Fleming model of BoP adjustment in the framework of IS-LM model for an open economy. 4+7=11

7. *(a)* What are current and capital accounts in Balance of Payments (BoP)? How can a disequilibrium in Balance of Payments be corrected? 4+7=11

Or

(b) Distinguish between Balance of Payments (BoP) and Balance of Trade (BoT). Explain the monetary approach to Balance of Payments. 4+7=11

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