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3 SEM TDC ECOH (CBCS) C 6

2024

(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) Who propounded the relative income hypothesis?

(b) If $MPC = 0.8$, autonomous consumption is ₹ 200, total consumption when income $y = ₹ 700$, will be

(i) ₹ 580

(ii) ₹ 670

(iii) ₹ 760

(iv) None of the above

(Choose the correct option)

(2)

(c) What is meant by autonomous investment?

(d) Define stagflation.

(e) Mention one limitation of the purchasing power parity theory.

(f) What is meant by an open economy?

(g) Mention two items in Capital Account of balance of payments.

(h) State one of the basic rules of the balance of payments accounting.

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

(a) Keynes' fundamental psychological law of consumption

(b) Marginal efficiency of capital

(c) Phillips curve

(d) Asset market approach

(e) International financial markets

3. (a) What is consumption function? Explain the technical attributes of the consumption function and their inter-relationships with suitable examples.

$1 + 11 = 12$

(3)

Or

(b) Explain the absolute income hypothesis of consumption. How does it differ from the relative income hypothesis? $9 + 3 = 12$

4. (a) Explain the concept of marginal efficiency of investment. Discuss the working of the static investment multiplier with suitable examples. $5 + 6 = 11$

Or

(b) Explain the profit theory of investment. 11

5. (a) Discuss the causes of stagflation. Suggest some policies to solve the problem of stagflation. $5 + 6 = 11$

Or

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

6. (a) Discuss the Mundell-Fleming model under the framework of an open economy. 11

Or

(b) Explain critically the Dornbusch's overshooting model of exchange rate determination.

7. (a) What are the various components of balance of trade and balance of payments? Discuss the factors that cause disequilibrium in the balance of payments. 4+7=11

Or

- (b) Distinguish between Current Account and Capital Account in balance of payments. Discuss the monetary approach to adjustment of balance of payments disequilibrium. 3+8=11

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