3 SEM TDC ECOH (CBCS) C 6

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(Held in April–May, 2021)

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. Choose the correct option from the following :

1×8=8

(a) If the consumption schedule is a straight line passing through the origin, then

   (i) MPC is greater than APC

   (ii) MPC is less than APC

   (iii) MPC is equal to APC

   (iv) None of the above

(b) Redistribution of the income in favour of the poor causes a

   (i) fall in APC

   (ii) rise in APC

   (iii) constant APC

   (iv) None of the above

(c) Which of the following is associated with investment function?

   (i) Average propensity to consume

   (ii) Marginal propensity to consume

   (iii) Marginal efficiency of capital

   (iv) Marginal propensity to save

(d) Given the consumption function $C = 205 + 0.9Y$, what is the value of multiplier?

   (i) 0·09

   (ii) 10·0

(3)

(iii) 0·9

(iv) 9·00

(e) Phillips curve represents the relationship between

(i) deflation and unemployment

(ii) inflation and growth

(iii) income and unemployment

(iv) inflation and unemployment

(f) Dornbusch's overshooting model assumes

(i) fixed exchange rate

(ii) flexible exchange rate

(iii) both fixed and flexible exchange rate

(iv) None of the above

(4)

(g) A debit entry in the balance of payments account of a country refers to

(i) inflow of foreign currency

(ii) outflow of foreign currency

(iii) Both (i) and (ii)

(iv) None of the above

(h) What is not true in rational expectations theory?

(i) Prices are flexible

(ii) Wage is flexible

(iii) There is continuous market clearance

(iv) Efficiency wage is paid

2. Write short notes on any *four* of the following : 4×4=16

(a) Psychological Law of Consumption

(b) Marginal Efficiency of Capital

(c) Adaptive Expectations

(5)

(d) Open Economy

(e) International Financial Market

3. (a) Explain absolute income and relative income hypotheses of consumption. Out of these two hypotheses, which one is superior? Justify your answer.   9+2=11

Or

(b) What is consumption function? Explain average propensity to consume and marginal propensity to consume with the help of examples. Point out the relation between average propensity to consume and marginal propensity to consume.   1+6+4=11

4. (a) What are induced investment and autonomous investment? Explain the working of the static investment multiplier. What are the leakages of investment multiplier?   2+6+3=11

(6)

Or

(b) Explain the accelerator theory of investment.   11

5. (a) What is stagflation? What are the causes of stagflation? Discuss the policies to solve the problem of stagflation.   2+5+4=11

Or

(b) Discuss critically the rational expectations theory.   11

6. (a) Write a note on absolute and relative version of purchasing power parity theory.   11

Or

(b) Discuss the Mundell-Fleming model under the framework of open economy.   11

7. (a) What do you mean by equilibrium and disequilibrium of balance of payments? Explain the factors that may cause disequilibrium in balance of payments.   6+6=12

Or

(b) Distinguish between balance of trade and balance of payments. Explain monetary approach to the adjustment in balance of payments.　　　4+8=12

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