

Total No. of Printed Pages—4

**3 SEM TDC ECOH (CBCS) C 6**

**2 0 2 2**

( 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 :  $1 \times 8 = 8$
- (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).

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( Turn Over )

( 2 )

(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

( 3 )

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

( 4 )

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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