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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) 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. $1 + 11 = 12$

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(Continued)

(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.

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(Turn Over)

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
