

3 SEM TDC ECOH (CBCS) C 6

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(Held in January/February, 2022)

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) Write the formula for finding MPC and APC.
 - (b) Who propounded the psychological law of consumption and absolute income hypothesis, respectively?
 - (c) Define net investment.
 - (d) State one reason that causes stagflation.

(Turn Over)

(e) Phillips curve shows the relationship between _____ and _____.

(Fill in the blanks)

(f) State one limitation of Mundell-Fleming model.

(g) Purchasing power parity (PPP) is measured by finding the values (in USD) of a basket of capital/consumer/both consumer and capital goods.

(Choose the correct option)

(h) Mention one component of International Financial Market.

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

4×4=16

(a) Determinants of consumption

(b) Marginal efficiency of investment

(c) Rational expectations and policy ineffectiveness

(d) Open and closed economy

(e) Basic accounting rule for international trade

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

3. (a) Explain the fundamental psychological law of consumption. What are its implications? Discuss. $8+4=12$

Or

- (b) Explain the relative income hypothesis with the help of suitable examples. Is it superior to the absolute income hypothesis? Discuss. $10+2=12$

4. (a) What are induced and autonomous investments? Explain the profit and accelerator theories of investment. $2+9=11$

Or

- (b) What is marginal efficiency of capital? Explain. Discuss the relationship between marginal efficiency of capital and rate of investment. $5+6=11$

5. (a) Explain the Phillips curve with the help of suitable diagrams. Prescribe some measures to cure stagflation. $6+5=11$

Or

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

6. (a) Explain the asset market approach to exchange rate determination. 11

Or

- (b) Explain the Dornbusch's overshooting model of high levels of exchange rate volatility. 11

7. (a) Explain the various concepts and components of balance of payments and balance of trade. What are the items in the current and capital account of balance of payments? Explain. 7+4=11

Or

- (b) What are International Financial Markets? Explain. Discuss how factors like political and commercial risks affect the International Financial Markets. 8+3=11
