

3 SEM TDC ECOH (CBCS) C 6

2025

(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) What is consumption function?
- (b) What is meant by autonomous investment?
- (c) What relationship does a Phillips curve represent?
- (d) What is meant by a closed economy?
- (e) Define rational expectations.

(2)

(f) 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)

(g) Mention one important cause of BoP disequilibrium.

(h) What is trade balance?

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

(a) Marginal Propensity to Consume (MPC) and its significance

(b) Autonomous and induced consumption

(c) Inflation and expectations

(d) Market theory of exchange rate determination

(e) Basic accounting rule for international trade

3. (a) What is called 'Ratchet Effect' in consumption behaviour? Explain the relative income hypothesis with a suitable diagram. $3+9=12$

Or

(b) What do you mean by APC and MPC? What are the short-run and long-run consumption functions? Explain with suitable diagram. $3+9=12$

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(Continued)

(3)

4. (a) What do you mean by gross and net investment? How is the Investment Demand Curve derived through MEC schedule for different projects? Explain with diagram. $3+8=11$

Or

(b) What do you mean by 'capital' and 'investment'? What are the main determinants of investment that are taken into consideration for making any investment decision? Explain. $3+8=11$

5. (a) What is 'Inflationary Gap'? How did Keynes explain the relationship between inflationary gap and full employment output? Use suitable diagrams. $2+9=11$

Or

(b) Discuss critically the Adaptive Expectation Theory. How does it differ from Rational Expectation Theory? $8+3=11$

6. (a) What do you mean by 'Exchange Rate'? Explain the purchasing power parity theory of exchange rate determination. What are its drawbacks? $7+4=11$

Or

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

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(Turn Over)

7. (a) What do you mean by current account and capital account of BoP? Discuss about the items that are included in these accounts for transaction purpose.

4+7=11

Or

- (b) What do you mean by disequilibrium in BoP? Explain about the factors causing balance of payments disequilibrium and its kinds.

2+9=11
