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**2 SEM TDC ECO M 1**

**2019**

( May )

**ECONOMICS**

( Major )

Course : 201

**( Macroeconomics )**

Full Marks : 80

Pass Marks : 32/24

Time : 3 hours

*The figures in the margin indicate full marks  
for the questions*

1. Choose the correct option/Answer the following : 1×8=8

(a) Which of the following is not by definition equal to national income?

(i) National output

(ii) National expenditure

- (iii) National product
  - (iv) National wealth
- (b) In classical theory of employment, what ensures the perfect clearing of the labour market?
- (i) Flexibility of interest rate
  - (ii) Flexibility of wage rate
  - (iii) Flexibility of price of the commodity
  - (iv) Classical assumption of perfect competition in the product market
- (c) Define the concept of effective demand.
- (d) Marginal propensity to consume can be always between
- (i) 0 and 1
  - (ii) 1 and 2
  - (iii) 10 and 20
  - (iv) None of the above

(e) Investment multiplier can be obtained from (symbols have the usual meaning)

$$(i) \frac{1}{1 - \frac{\Delta C}{\Delta Y}}$$

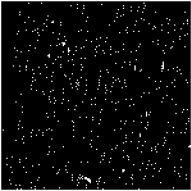
$$(ii) \frac{1}{1 - \frac{\Delta C}{\Delta S}}$$

$$(iii) \frac{1}{1 + \frac{\Delta C}{\Delta S}}$$

$$(iv) \frac{1}{1 + \frac{\Delta C}{\Delta Y}}$$

(f) The speculative demand for money according to Keynes is a function of

- (i) rate of interest
- (ii) level of income
- (iii) level of savings
- (iv) level of output



(g) The GNP gap is the gap between

(i) GNP and NNP

(ii) GNP and depreciation

(iii) GNP and GDP

(iv) potential and actual GNP

(h) Net exports are negative when

(i) net investment is positive

(ii) exports are exceeded by imports

(iii) exports exceeded private transfer to foreigners

(iv) imports are exceeded by exports

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

4×4=16

(a) Gross value addition and net value addition

(b) Marginal efficiency of capital

(c) Absolute income hypothesis

(d) Economic openness in Indian economy

(e) Capital account and current account of Balance of Payments

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

3. (a) Define national income. Explain the production and expenditure methods of calculating national income. What is the meaning of green accounting of national income?  $2+8+2=12$

Or

(b) Distinguish between the following :  $3 \times 4 = 12$

- (i) Nominal GDP and Real GDP
- (ii) NNP at market price and NNP at factor price
- (iii) Personal income and Disposable personal income
- (iv) Gross value addition and Net value addition

4. (a) Compare and contrast the approaches to determine aggregate price level under classical and Keynesian framework. 11

Or

- (b) In the backdrop of Keynesian theory, explain the following :  $3+3+3+2=11$

(i) Aggregate demand and aggregate supply functions

(ii) Effects of change in aggregate expenditure

(iii) Consumption function

(iv) Marginal propensity to save

5. (a) Explain the process of income generation through the investment multiplier with an example. Does multiplier work in a developing economy? Give reasons for your answer.  $8+3=11$

Or

- (b) Explain the permanent income hypothesis of consumption. What are its similarities with the life cycle hypothesis?  $7+4=11$

6. (a) Explain the Keynesian theory of interest. Mention its limitations.

8+3=11

Or

- (b) What are IS-LM curves? Determine the equilibrium level of income and interest rate under IS-LM framework.

4+7=11

7. (a) Define Balance of Payments (BoP). Discuss the causes of disequilibrium in Balance of Payments.

4+7=11

Or

- (b) (i) What are the differences between open economy and closed economy?

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- (ii) Explain the monetary approach to the adjustment in Balance of Payments.

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