**2 SEM TDC ECO M 1**

# 2 0 1 8

( 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 answer/Answer the
   following :                                 1×8=8

   (a) _____ is known and regarded as the
       father of modern macroeconomics.

       (i) Adam Smith

       (ii) J. B. Say

( _Turn Over_ )

*(iii)* J. M. Keynes

*(iv)* None of them

*(b)* National income is

    *(i)* NDP at factor cost

    *(ii)* NNP at factor cost

    *(iii)* NNP at market price

    *(iv)* GNP at factor cost

*(c)* What is effective demand?

*(d)* Average propensity to consume (APC) =

    *(i)* $\Delta C / \Delta Y$

    *(ii)* $C / Y$

    *(iii)* $Y / C$

    *(iv)* $\Delta S / \Delta Y$

(e) If MPC = 0·80, then the value of investment multiplier is

   (i) 4

   (ii) 8

   (iii) 5

   (iv) None of the above

(f) Permanent income hypothesis was given by

   (i) Milton Friedman

   (ii) James Duesenberry

   (iii) J. M. Keynes

   (iv) Modigliani

(g) Shape of the CM curve during depression is

   (i) horizontal to x-axis

   (ii) vertical to x-axis

   (iii) upward sloping

   (iv) downward sloping

(h) Mention 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) Nominal and real GDP

(b) Life cycle hypothesis

(c) Investment multiplier

(d) Basic accounting rule

(e) Ratchet effect

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

3. (a) Explain the income and expenditure methods of calculating national income. What is the relationship between GDP and welfare?   8+4=12

( *Continued* )

( **5** )

*Or*

*(b)* Explain the following concepts :

3×4=12

(i) GDP

(ii) National income

(iii) Private income

(iv) Personal disposable income

**4.** *(a)* What are aggregate demand and aggregate supply function? Compare the processes of determination of aggregate price level in classical and Keynesian approaches. 3+8=11

*Or*

*(b)* Explain critically the Keynesian theory of employment. Discuss its relevance in the context of a developing economy. 8+3=11

**5.** *(a)* Explain the relative income hypothesis. Discuss its limitations.

7+4=11

*Or*

*(b)* Distinguish between Marginal Efficiency of Capital (MEC) and Marginal Efficiency of Investment (MEI). Explain the working of the static investment multiplier. 4+7=11

**6.** *(a)* Explain the determination of interest rates under the classical and Keynesian theories. Mention two limitations each of both the theories.

7+4=11

*Or*

*(b)* What are IS-LM curves? Discuss the effectiveness of monetary and fiscal policies in IS-LM framework.

4+7=11

**7.** *(a)* Distinguish between Balance of Payments (BoP) and Balance of Trade (BoT). Explain the monetary approach to Balance of Payments.

4+7=11

*( Continued )*

*Or*

*(b)* What are current and capital accounts in Balance of Payments (BoP)? How can a disequilibrium in Balance of Payments be corrected?

4+7=11

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