2 SEM TDC ECO M 1

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(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) Macroeconomics is a study of economics that deals with four major factors namely

   (i) households, firms, government and demand and supply

   (ii) households, firms, government and external sector

    (iii) firms, government, free market and regulation

    (iv) None of the above

(b) If we compare GDP and GNP, then

    (i) GNP = GDP – Net income from abroad

    (ii) GNP = GDP + Net income from abroad

    (iii) GNP = NNP + Net income from abroad

    (iv) GNP = NNP – Net income from abroad

(c) According to classical theory, full employment is restored through

    (i) wage flexibility

    (ii) price flexibility

    (iii) continuous market clearing

    (iv) All of the above

(d) Result of cheap monetary policy introduced by monetary authority during the period of depression is

(i) inflation

(ii) deflation

(iii) liquidity trap

(iv) None of the above

(e) MPC =

(i) $\dfrac{C}{Y}$

(ii) $\dfrac{\Delta C}{\Delta Y}$

(iii) $\dfrac{Y}{C}$

(iv) $\dfrac{\Delta Y}{\Delta C}$

(f) The slope of the LM curve depend upon

    (i) income elasticity of demand for money

    (ii) interest elasticity of demand for money

    (iii) both income and interest elasticity of demand for money

    (iv) None of the above

(g) What do you mean by globalization?

(h) Why is money called liquid asset?

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

                          4×4=16

(a) Circular flow of national income in a two-sector economy

(b) Effective demand

(c) Relative income hypothesis

(d) Economic openness in Indian economy

(e) Devaluation

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

3. What are the various methods of measuring national income? Explain which of these methods is more suitable for Indian economy. Give two reasons for your answer.   10+2=12

Or

Explain the meaning with example of the following concepts :   3×4=12

(a) GNP

(b) NNP

(c) Disposable income

(d) Welfare and national income

4. (a) Explain Say's law of market and its implications.   11

(Turn Over)

Or

(b) Discuss the classical theory of output and employment in the context of the Great Depression of 1930s. What were the main reasons for its collapse? 7+4=11

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

Or

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

6. (a) Discuss the determination of classical and Keynesian theory of interest. 11

Or

(b) What are IS-LM curves? Determine the equilibrium level of income in IS-LM framework. 11

(Continued)

7. (a) What is balance of payments (BoP)? Discuss the basic accounting rule.

7+4=11

Or

(b) What do you mean by disequilibrium in the BoP? Explain the monetary measures to eliminate the deficit in the BoP in an economy.   3+8=11

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