

**3 SEM TDC ECOH (CBCS) C 6**

**2023**

( 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 :  $1 \times 8 = 8$

- (a) What is autonomous consumption?
- (b) What is marginal efficiency of capital (MEC)?
- (c) Mention the method of measuring unemployment rate in a country.
- (d) What is supply-shock inflation?

( 2 )

(e) The relative change in exchange rate of the PPP theory sets the rule of working out the change in the exchange rate over time with the change in purchasing power of the currencies.

( State whether the statement is True or False )

(f) Mention one disadvantage of flexible exchange rate.

(g) Two broad categories of economic transactions are used for preparing the BoP accounts between a country and the rest of the world. What are they?

(h) Mention one macroeconomic policy measure that is generally used to correct the BoP disequilibrium.

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

(a) Attributes of consumption function

(b) Autonomous and induced investment

(c) Causes and policies to cure stagflation

(d) Market theory of exchange rate determination

(e) Basic accounting rule for international trade

( 3 )

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

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

Or

(b) Explain the fundamental psychological law of consumption with its underlying assumptions. What are the implications of this fundamental law?  $8+4=12$

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

Or

(b) What is the 'investment multiplier'? Discuss about the profit and accelerator theories of investment.  $3+8=11$

5. (a) What is Phillips curve? How is the conclusion drawn by Phillips about the trade-off between the rate of unemployment and the rate of change in money wage rate? What are the factors behind this relationship? Explain with diagram.  $2+5+4=11$

Or

(b) Explain critically the adaptive expectation theory. How does it differ from the rational expectations?  $7+4=11$

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

7. (a) What is meant by Balance of Payments? What are the components of balance of payments (BoP) and balance of trade (BoT)? Mention the items in the current and capital account of BoP. 2+6+3=11

Or

- (b) What do you mean by disequilibrium in BoP? Explain about the factors causing BoP disequilibrium and their kinds. 2+9=11

★ ★ ★