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(CBCS)

(3rd Semester)

ECONOMICS

THIRD PAPER

(Macroeconomics—I)

Full Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

(SECTION : A—OBJECTIVE)

(Marks : 10)

Tick (✓) the correct answer in the brackets provided :

1×10=10

1. GNP estimated at constant prices in a chosen or base year is called

- (a) real income ()
- (b) nominal income ()
- (c) current income ()
- (d) disposable income ()

2. The circular flow of income in a two-sector economy includes

- (a) banking and households ()
- (b) households and firms ()
- (c) households and financial markets ()
- (d) financial markets and firms ()

3. Classical theory of employment assumes

- (a) under-employment equilibrium ()
- (b) over full employment equilibrium ()
- (c) cyclical unemployment equilibrium ()
- (d) full employment equilibrium ()

4. Aggregate demand function is governed by consumption and

- (a) investment ()
- (b) rate of interest ()
- (c) rate of profit ()
- (d) money supply ()

5. Autonomous investment is

- (a) income elastic ()
- (b) interest elastic ()
- (c) profit elastic ()
- (d) income inelastic ()

6. Marginal propensity to consume (MPC) is

- (a) $\frac{C}{Y}$ ()
- (b) $1 - APS$ ()
- (c) $\frac{C}{Y}$ ()
- (d) $\frac{C}{I}$ ()

7. When investment is greater than saving, it implies

- (a) higher income ()
- (b) lower income ()
- (c) low consumption ()
- (d) same amount of income ()

8. The value of multiplier is calculated by the formula

- (a) $\frac{1}{1 - MPC}$ ()
- (b) $\frac{1}{1 + MPC}$ ()
- (c) $\frac{1}{1 - MPS}$ ()
- (d) $\frac{1}{1 + MPS}$ ()

9. At liquidity trap, people prefer to keep indefinite amount of money because

- (a) the rate of interest is increasing too fast ()
- (b) the rate of interest is fluctuating ()
- (c) the rate of interest is too low ()
- (d) the rate of interest is too high ()

10. The important source of supply of loanable funds is

- (a) interest ()
- (b) saving of individuals ()
- (c) profits ()
- (d) investment ()

(SECTION : B—SHORT ANSWER)

(Marks : 15)

Write on the following :

3×5=15

UNIT—I

1. GNP

OR

2. Green accounting

UNIT—II

3. Aggregate demand

OR

4. Concept of unemployment

UNIT—III

5. Marginal propensity to consume

OR

6. Marginal propensity to save

UNIT—IV

7. Autonomous and induced investment

OR

8. Investment multiplier

UNIT—V

9. Three motives of demand for money

OR

10. Concept of gross interest

(SECTION : C—DESCRIPTIVE)

(Marks : 50)

Answer the following :

10×5=50

UNIT—I

1. Explain the different methods of measuring national income. 10

OR

2. Explain the circular flow of income in a three-sector model. 10

UNIT—II

3. Discuss Say's law of market. On what grounds did Keynes criticise Say's law of market? 5+5=10

OR

4. "The logical starting point of Keynes' theory of employment is the principle of effective demand." Discuss. 10

UNIT—III

5. What do you understand by consumption function? What are the factors that determine the propensity to consume of the community? 3+7=10

OR

6. Critically explain Duesenberry's relative income hypothesis. 10

UNIT—IV

7. What is marginal efficiency of capital? Explain how investment is affected by the decision of the entrepreneur. 3+7=10

OR

8. Enumerate the process of saving-investment equality in the economy. 10

UNIT—V

9. Critically examine Keynes' theory of interest rate determination. 10

OR

10. Explain the loanable funds theory of interest. 10

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