III/ECO (iii)

2 0 1 6

(3rd Semester)

ECONOMICS

THIRD PAPER

(Macroeconomics)

Full Marks : 75

Time : 3 hours

(PART : B—DESCRIPTIVE)

(*Marks* : 50)

The figures in the margin indicate full marks for the questions

UNIT—I

1. Define national income. Discuss the methods of measuring it.   2+8=10

Or

Discuss the importance of national income computation in modern economic analysis.   10

(**2**)

UNIT—II

2. "Keynesian theory of effective demand is the heart of the modern macroeconomic analysis." Discuss.   10

Or

Discuss the classical theory of employment.   10

UNIT—III

3. Account on the Duesenberry's relative income hypothesis.   10

Or

Distinguish between APC and MPC. What are the factors influencing consumption in an economy?   4+6=10

UNIT—IV

4. "Savings and investment are equal in equilibrium." Explain.   10

Or

What is investment multiplier? How does it work?   2+8=10

(3)

5. Explain the loanable funds theory of interest rate determination. 10

Or

What is liquidity trap? State and explain Keynesian theory of interest. Illustrate it with a diagram. 3+7=10

★ ★ ★

2 0 1 6

(3rd Semester)

ECONOMICS

THIRD PAPER

(Macroeconomics)

(PART : A—OBJECTIVE)

(*Marks* : 25)

The figures in the margin indicate full marks for the questions

SECTION—A

(*Marks* : 10)

Tick ☑ the correct answer in the box provided :   1×10=10

1. National income is a

   (a) stock concept   ☐

   (b) flow concept   ☐

   (c) None of the above   ☐

2. GNP at market price – depreciation is

(a) NNP at market price ☐

(b) GDP at market price ☐

(c) GNP at factor cost ☐

3. The classical theory of employment assumes

(a) rigidity of wage structure ☐

(b) always full employment of labour and other resources ☐

(c) the possibility of overproduction ☐

4. Autonomous investment is

(a) income inelastic ☐

(b) interest elastic ☐

(c) profit elastic ☐

5. Marginal propensity to consume (MPC) is

   (a) C/Y □

   (b) $I - APS$ □

   (c) C / Y □

6. According to Keynes, consumption increases less proportionately than income when income

   (a) increases   □

   (b) decreases   □

   (c) constant   □

7. Investment multiplier (k) is

   (a) $k \quad \dfrac{1}{1 \quad MPC}$ □

   (b) $k \quad \dfrac{1}{1 \quad MPS}$ □

   (c) $k \quad \dfrac{1}{1 \quad APC}$ □

8. What is the investment multiplier when MPC is $\frac{1}{2}$?

    (a) 1   ☐

    (b) 2   ☐

    (c) 3   ☐

9. 'Liquidity trap' is a situation where the interest rate is

    (a) so low that people prefer to hold money   ☐

    (b) so high that people prefer to spend money   ☐

    (c) None of the above   ☐

10. Classical theory of interest is a

    (a) real theory of interest   ☐

    (b) monetary interest rate theory   ☐

    (c) loanable funds interest rate theory   ☐

(5)

(*Marks* : 15)

Answer/Write short notes on the following :   3×5=15

1. Define NNP_{fc}.

2. What is effective demand?

3. Keynesian theory of absolute income

4. Difference between autonomous and induced investments

5. Three motives of demand for money

★ ★ ★