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( CBCS )

( 3rd Semester )

**ECONOMICS**

THIRD PAPER

**( Macroeconomics—I )**

*Full Marks : 75*

*Time : 3 hours*

**( 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 brackets provided :

1×10=10

1. Net national product is

- (a) GNP minus net export ( )
- (b) GNP minus depreciation ( )
- (c) GNP minus net factor income from abroad ( )
- (d) GNP plus taxes ( )

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

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

- 3.** The classical theory of employment is based on
- (a) rigid wage structure ( )
  - (b) wage flexible structure ( )
  - (c) wage neutrality ( )
  - (d) constant wages ( )
- 4.** In Keynes' theory, the level of investment is independent with
- (a) marginal efficiency of capital ( )
  - (b) income ( )
  - (c) consumption ( )
  - (d) saving ( )
- 5.** When the consumption function curve coincides with income line (45° line), the amount of consumption is
- (a) equal to income ( )
  - (b) greater than income ( )
  - (c) less than income ( )
  - (d) None of the above ( )
- 6.** In the absolute income hypothesis, the amount of current consumption is determined by
- (a) current saving ( )
  - (b) current profit ( )
  - (c) current income ( )
  - (d) current investment ( )
- 7.** Autonomous investment is
- (a) interest elastic ( )
  - (b) income inelastic ( )
  - (c) profit elastic ( )
  - (d) income elastic ( )
- 8.** When investment is greater than saving, it implies
- (a) higher income ( )
  - (b) lower income ( )
  - (c) same amount of income ( )
  - (d) low consumption ( )

9. At liquidity trap, people prefer to keep indefinite amount of money because
- (a) the rate of interest is too high ( )
  - (b) the rate of interest is too low ( )
  - (c) the rate of interest is increasing too fast ( )
  - (d) the rate of interest is fluctuating ( )
10. The important source of supply of loanable funds is
- (a) bank money ( )
  - (b) profit ( )
  - (c) interest ( )
  - (d) investment ( )

SECTION—B

( Marks : 15 )

Answer/Write short notes on the following :

3×5=15

1. (a) Define Gross Domestic Product.

**OR**

(b) What is Green Accounting?

2. (a) Involuntary Unemployment

**OR**

(b) Aggregate Demand

3. (a) Marginal propensity to consume

**OR**

(b) What is Keynes' psychological law of consumption?

4. (a) Investment Multiplier

**OR**

(b) Ex-post saving and ex-post investment

5. (a) Money rate of interest

**OR**

(b) What is transaction demand for money?

( PART : B—DESCRIPTIVE )

( Marks : 50 )

*The figures in the margin indicate full marks for the questions*

1. (a) Explain the different methods of measuring National Income. 10

**OR**

- (b) Explain the circular flow of income in the four-sector economy. How does it help to calculate National Income? 6+4=10

2. (a) What is Say's Law of Market? Explain how Keynes criticized the Say's Law of Market. 3+7=10

**OR**

- (b) Explain the equilibrium level of National Income in the two-sector model of economy through the principle of effective demand. 10

3. (a) What is meant by consumption function? Explain the factors that determine the propensity to consume of the community. 2+8=10

**OR**

- (b) Explain the Duesenberry's Relative Income Hypothesis. 10

4. (a) Explain the equality between saving and investment at the equilibrium. 10

**OR**

- (b) What is Marginal Efficiency of Capital? Explain the investment decision made by the entrepreneur on the basis of Marginal Efficiency of Capital. 3+7=10

5. (a) Explain the Loanable funds theory of Interest. 10

**OR**

- (b) Explain the Keynes' theory of interest rate determination through the interaction of demand and supply of money. 10

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