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(NEP—2020)

(3rd Semester)

ECONOMICS (MAJOR/MINOR)

(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. Real income is defined as

- (a) income which can be spent on current personal consumption ()
- (b) income expressed in terms of a general level of prices of a particular month taken as a base ()
- (c) income expressed in terms of a general level of prices of a particular year taken as a base ()
- (d) All of the above ()

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 is basically a supply-oriented and assumed full employment with
- (a) short-run analysis ()
 - (b) medium-term analysis ()
 - (c) long-run analysis ()
 - (d) None of the above ()
4. Who stated that 'demand creates its own supply'?
- (a) J. B. Say ()
 - (b) Marshall ()
 - (c) Keynes ()
 - (d) Pigou ()
5. At the point of effective demand, profits are
- (a) minimum ()
 - (b) maximum ()
 - (c) normal ()
 - (d) subnormal ()
6. Absolute income hypothesis was advocated by
- (a) Adam Smith ()
 - (b) J. M. Keynes ()
 - (c) Duesenberry ()
 - (d) J. B. Say ()
7. When the consumption function curves coincide 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 ()
8. According to Keynes, consumption increases less proportionately than income when income
- (a) increases ()
 - (b) decreases ()
 - (c) is constant ()
 - (d) None of the above ()
9. When investment is greater than savings, it implies
- (a) higher income ()
 - (b) lower income ()
 - (c) low consumption ()
 - (d) no changes in income ()

10. Induced investment depends on

- (a) price level and rate of interest ()
- (b) level of income and rate of interest ()
- (c) level of employment and wage rate ()
- (d) price level and wage rate ()

(SECTION : B—SHORT ANSWERS)

(Marks : 15)

Write short notes on *five* of the following, taking at least *one* from each Unit : $3 \times 5 = 15$

UNIT—I

- 1. Green Accounting
- 2. Closed and open economy

UNIT—II

- 3. Differences between aggregate demand and aggregate supply
- 4. Classical theory of employment

UNIT—III

- 5. Consumption function
- 6. Life cycle hypothesis

UNIT—IV

- 7. Autonomous investment
- 8. Investment multiplier

(SECTION : C—DESCRIPTIVE)

(Marks : 50)

Answer *five* of the following, taking at least *one* from each Unit :

10×5=50

UNIT—I

1. Define national income. Explain the various components of national income. 2+8=10
2. Explain the different measurements of national income in India. What are the difficulties in measuring national income? 7+3=10

UNIT—II

3. “Supply creates its own demand.” Elucidate the statement. 10
4. Critically explain Keynesian theory of employment and income. 10

UNIT—III

5. Differentiate between average and marginal propensity to consume. What are the common factors influencing consumption pattern of an individual? 4+6=10
6. Critically discuss Duesenberry’s relative income hypothesis. 10

UNIT—IV

7. What is marginal efficiency of capital (MEC)? Explain how investment decision is made on the basis of marginal efficiency of capital. 3+7=10
8. What is marginal efficiency of investment? Explain the relationship between interest rates and investment through marginal efficiency of investment. 3+7=10

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