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2 SEM TDC ECOH (CBCS) C 3 (BL)

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(Held in January/February, 2022)

ECONOMICS

(Core)

Paper : C-3

(Introductory Macroeconomics)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

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

1. Choose the most appropriate answer/
Answer the following questions : $1 \times 8 = 8$

(a) NNP at factor cost is

(i) equal to National Income

(ii) more than National Income

(iii) less than National Income

(iv) always more than GNP

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(Turn Over)

(2)

(b) Which of the following is true?

(i) $GNP = GDP - \text{Net Income from Abroad}$

(ii) $GNP = GDP + \text{Net Income from Abroad}$

(iii) $GNP = NNP + \text{Net Income from Abroad}$

(iv) $GNP = NNP - \text{Net Income from Abroad}$

(c) According to the cash balance approach, why do people demand money?

(d) Which of the following factors creates demand-pull inflation?

(i) Increase in production

(ii) Increase in cost of production

(iii) Increase in money supply

(iv) Increase in demand for cash balances

(3)

- (e) What is effective demand?
- (f) In classical theory of employment, what ensures the perfect clearing of the labour market?
- (i) Flexibility of interest rate
 - (ii) Flexibility of wage
 - (iii) Flexibility of price of the commodity
 - (iv) Classical assumption of perfect competition in the product market
- (g) Which of the following is not embodied in *I-S* curve?
- (i) Consumption function
 - (ii) Investment function
 - (iii) Government expenditure
 - (iv) Money supply

(4)

- (h) Fiscal policy is operated by the
- (i) Central Bank
 - (ii) Government
 - (iii) Commercial Bank
 - (iv) None of the above

2. Write short notes on any *four* of the following (**within 150 words** each) :

4×4=16

- (a) Circular flow of national income in two-sector economy
- (b) Distinctions between cash-transactions and cash-balance approach to the quantity theory of money
- (c) Characteristics of trade cycle
- (d) GDP and welfare
- (e) Say's law of markets

(5)

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

3. (a) Explain the nature and scope of macro-economics. State the limitations of macro-economics. 8+4=12

Or

- (b) Distinguish between the following : 3×4=12

- (i) Nominal GDP and Real GDP
- (ii) GDP and GNP
- (iii) Personal income and Disposable personal income
- (iv) Gross value addition and Net value addition

4. (a) How did Milton Friedman restate the quantity theory of money? In what respects, it is different from the classical quantity theory? 7+4=11

Or

- (b) Explain the mechanism of credit creation by Commercial Banks. How does it affect the supply of money? 8+3=11

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(Turn Over)

(6)

5. (a) "Inflation is unjust and deflation is inexpedient. Of the two, deflation is worse." Explain. Why is inflation better than deflation? 7+4=11

Or

- (b) What is inflationary gap? Explain the concept of inflationary gap with numerical and graphical presentation. How can inflationary gap be wiped out? 2+6+3=11

6. (a) Explain critically the Keynesian theory of income and employment. 11

Or

- (b) What are IS-LM curves? Determine the equilibrium level of income and interest rate in IS-LM framework. 4+7=11

7. (a) Explain the circular flow of national income in a four-sector model. 11

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(Continued)

(7)

Or

- (b) Explain the income and expenditure methods of measuring GDP with examples.

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