

**2 SEM TDC ECO M 1****2 0 1 6****( May )****ECONOMICS****( Major )****Course : 201****( Macroeconomics )***Full Marks : 80**Pass Marks : 32/24**Time : 3 hours**The figures in the margin indicate full marks  
for the questions*

• Answer/Choose the correct answer of the  
following : 1×8=8

(a) Which of the following economists  
regarded as the father of  
macroeconomics?

(i) John Stuart Mill

(ii) Leon Walras

(iii) J. M. Keynes

(iv) None of the above

(b) NNP is represented by

(i)  $NNP = GNP - \text{National income}$

(ii)  $NNP = GNP - \text{Depreciation}$

(iii)  $NNP = \text{National income}$   
 $+ \text{Personal income}$

(iv) All of the above

( 2 )

( 3 )

(c) In India, National income is estimated by the

- (i) Finance Commission of India
- (ii) Central Government of India
- (iii) Central Statistical Organization
- (iv) Reserve Bank of India

(d) Which of the following will cause a direct increase in consumption expenditure?

- (i) An increase in government spending
- (ii) A decrease in net export spending
- (iii) An increase in planned investment
- (iv) An increase in disposable income

(e) If an increase in investment spending of \$ 50 million results in a \$ 400 million increase in GDP, the value of multiplier is

- (i) 0.125
- (ii) 3.5
- (iii) 8
- (iv) 50

(f) Mention one feature of effective demand.

(g) Write one method of correcting balance of payments disequilibrium.

(h) What is ratchet effect?

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

4×4=16

- (a) Relationship between national income and welfare
- (b) Classical theory of employment
- (c) Investment multiplier
- (d) Liquidity trap
- (e) Differences between BoP and BoT

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

3. (a) Explain the income and expenditure methods of computing national income. Which of these two methods is more suitable for developing nations? Justify.

8+4=12

Or

(b) Describe the circular flow of national income in a two-sector economy. How do savings and investment affect circular flow of income in market economy?

7+5=12

4. (a) Explain critically the Keynesian theory of employment.

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Or

(b) Compare and contrast the approaches to determine aggregate price level under Classical and Keynesian framework.

11

5. (a) What is relative income hypothesis? How does it differ from Keynesian absolute income hypothesis? Explain.

3+8=

Or

- (b) Distinguish between marginal efficiency of capital (MEC) and marginal efficiency of investment (MEI). Given the MEC, how would the stock of capital get adjusted when there is a fall in the rate of interest? Explain.

5+6=

6. (a) Write the meaning of general equilibrium. Determine the equilibrium level of income under the IS-LM framework.

3+8=

Or

- (b) Explain the Keynesian theory of interest. Mention its limitations.

8+3=

7. (a) What are the differences between open economy and closed economy? To what extent Indian economy can be considered as an open economy? Explain.

4+7=

Or

- (b) Define balance of payments (BoP). Elucidate the monetary approach to balance of payments.

3+8=

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