No. of Printed Pages—2

47B (MAC1)

[18–HRGPKAC–M1S]

MA 1st Semester Exam., 2018

ECONOMICS

(MEC/MAEC 02)

(Macro Economics–I)

Full Marks : 80

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Answer any *five* from the following questions (each within *50* words) : 2×5=10

(a) Mention any two dissimilarities between cash transaction and cash balance approaches to quantity theory of money.

(b) What is meant by investment function?

(c) If $M = 5000$, $M' = 20\%$ of M, $V = 5$, $V' = 3$, $T = 10000$, then find the general price level.

(d) What is meant by liquidity trap?

(e) If MPC = 0·8, MPI = 0·1, then find investment multiplier and super-multiplier.

(f) What is meant by marginal efficiency of investment?

2. Answer any *three* from the following questions (each within *150* words) : 4×3=12

(a) Does an increase in national income always imply an increase in the welfare of the community? Explain.

(b) Why does the IS curve slope downward?

(c) How does super-multiplier differ from investment multiplier?

(d) What is meant by national income accounting? Mention any two importances of input-output analysis in national income accounting. 2+2=4

3. Answer any *three* from the following questions (each within *250* words) : 6×3=18

(a) Write the definitions of the following : 2+2+2=6

(i) NNP_{FC}

(ii) Personal income

(iii) Intermediate products

(b) If the consumption function is given as $C = 100 + 0 \cdot 75y$, then find the saving function. Also find MPC and MPS. Why is MPC always positive and less than unity? 2+1+3=6

(c) Explain the acceleration principle.

(d) Explain the process of circular flow of income in a three-sector economy.

4. Answer any *four* from the following questions (each within *500* words) : 10×4=40

(a) Critically discuss the liquidity preference theory of Keynes.

(b) Explain diagrammatically the working of Keynesian multiplier. Mention its any three significances for economic policy. 7+3=10

(c) "The IS and LM functions can provide a determinate solution to the rate of interest." Elaborate the statement.

(d) Explain the relative income hypothesis. Is it an improvement over Keynes' absolute income hypothesis? 6+4=10

(e) Write short notes on the following : 5+5=10

(i) Classical theory of employment

(ii) Concept of effective demand

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