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ECONOMICS

Paper : ECOHC3056

(Intermediate Macroeconomics—I)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Choose the correct answer from the following (any *six*) : 1×6=6

    (a) In a capitalist economy, the level of employment depends on

    (i) level of aggregate demand

    (ii) level of aggregate supply

    (iii) level of effective demand

    (iv) All of the above

(b) Phillips curve shows the relationship between inflation and

   (i) balance of trade

   (ii) the rate of economic growth

   (iii) the rate of price increase

   (iv) unemployment

(c) The aggregate supply function at full employment is

   (i) more elastic

   (ii) less elastic

   (iii) perfectly elastic

   (iv) perfectly inelastic

(d) The BOP account of an economy is related to the

   (i) agricultural sector

   (ii) external sector

   (iii) government sector

   (iv) private sector

(e) The purchasing power parity theory of exchange rate was developed by

   (i) Keynes

   (ii) Samuelson

   (iii) Gustav Cassel

   (iv) Kindleberger

(f) Mundell-Fleming model assumes that capital is

   (i) perfectly mobile

   (ii) perfectly immobile

   (iii) imperfectly mobile

   (iv) imperfectly immobile

(g) Which account has a direct impact on the income, output and employment?

   (i) Capital Account

   (ii) Current Account

   (iii) Real Account

   (iv) Nominal Account

(h) The short-run Phillips curve shifts upwards when

    (i) the aggregate demand curve shifts to the right

    (ii) the aggregate supply curve shifts to the right

    (iii) there is a fall in inflation expectation

    (iv) there is a rise in inflation expectation

(i) The decrease in the value of domestic currency in relation to foreign currency due to fluctuations in foreign exchange is

    (i) devaluation

    (ii) appreciation

    (iii) depreciation

    (iv) All of the above

(j) Due to depreciation of domestic currency

    (i) export rises

    (ii) import rises

    (iii) export falls

    (iv) All of the above

(Continued)

2. Answer any *five* of the following questions :   2×5=10

(a) What is inflation?

(b) Define natural rate of unemployment.

(c) What do you mean by fixed exchange rate?

(d) Define international financial market.

(e) What is open economy?

(f) Write the meaning of aggregate demand.

(g) Give two merits of Phillips curve as a tool of economic theory.

3. Answer any *six* of the following questions :   5×6=30

(a) Derive the aggregate supply function graphically.

(b) Explain the factors which cause a shift in the short-run Phillips curve.

(c) Explain briefly the monetary approach to balance of payments adjustment.

(d) What are the causes of demand-pull inflation? Briefly explain.

(e) What is adaptive expectation? Mention three limitations of adaptive expectation.

(Turn Over)

(f) Briefly explain the components of international financial market.

(g) Distinguish between spot and forward exchange rate.

(h) State the different components of aggregate demand.

(i) Explain the concept of rational expectation in theory and practice.

(j) Briefly explain the features of international financial market.

4. Answer any *two* of the following questions :

10×2=20

(a) Explain the purchasing power parity theory. Write its limitations. 7+3=10

(b) What is exchange rate? Explain the determination of equilibrium exchange rate with the help of diagram. 2+8=10

(c) Explain Dornbusch's overshooting model.

(d) Discuss how underemployment equilibrium is determined with the help of aggregate demand and aggregate supply.

5. Answer any *one* of the following questions : 14

(a) How does Phillips curve explain the trade-off between unemployment and inflation? Discuss its policy implications. 10+4=14

(b) Explain Mundell-Fleming model with the help of diagram. What are the drawbacks of this model? 10+4=14

(c) Explain the asset market approach to determine exchange rate.

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