ECONOMICS

(1st Semester)

Course No. : ECOCC–102

(Macroeconomic Analysis—I)

Full Marks : 70
Pass Marks : 28

Time : 3 hours

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

Answer **five** questions, taking **one** from each Unit

UNIT—I

1. What is Say's law of market? How is Keynesian macroeconomic framework different from this? Explain. 5+9=14

2. Critically analyse the main features of Keynesian theory of income and employment. Show the determination of income diagrammatically. 8+6=14

UNIT—II

3. What cause the AD curve to shift? What cause the AS curve to shift? What are the implications of such shifts in a macro-economy? Discuss. 4+4+6=14

4. Derive the IS and LM curves. How will you interpret their slopes? How do they explain general equilibrium of an economy? Explain. 3+3+(2+2)+4=14

UNIT—III

5. Write the stylized facts of consumption behaviour. Discuss the absolute income hypothesis of consumption. How far does this hypothesis explain the empirical facts of consumption behaviour? 3+8+3=14

6. *(a)* Suppose the consumption function of a country is $C = 20 \cdot 0 \cdot 75Y^D$. If disposable income ($Y^D$) increases from \$ 150 to \$ 200, how will it affect saving rate and consumption rate? 4

   (b) Discuss the relative income hypothesis of consumption. 10

(3)

UNIT—IV

7. *(a)* What are the components of investment? Discuss briefly.   9

   (b) Suppose the cost of a machine is ₹ 10,000. The real interest rate is given as 10% per year and depreciation rate of the machine is 30% per year. If the marginal returns expected from it is ₹ 19,500, should a firm install the machine?   5

8. Discuss the acceleration principle of investment. How does the flexible accelerator differ from simple accelerator? Elaborate.

10+4=14

UNIT—V

9. What do you mean by 'real balance effect'? What role does it play in Patinkin's theory of demand for money? Discuss.   2+12=14

10. Why does an investor try to diversify his portfolio of assets? Discuss the determination of optimum portfolio of assets within the framework of Tobin's theory of demand for money.   4+10=14

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