

2007

ECONOMICS

SECOND PAPER

(Macroeconomic Theory)

Full Marks: 80

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Answer the following questions using not more than 50 words each: 2×4=8
- a) What do you mean by National income at constant prices?
 - b) Define underemployment equilibrium.
 - c) Distinguish between average propensity to consume and marginal propensity to consume.
 - d) What is Inside money?
2. Answer any *four* of the following questions using not more than 150 words each: 6×4=24
- a) What are the different components of National income? Establish the relationship among them.
 - b) Define the IS curve. What does the equality between IS and LM curve signify? What happens when the interest rate rises?
 - c) What is MEI? How does it affect investment decisions?
 - d) What is H in the H-theory of money supply? What are its determinants?
 - e) State and explain the Natural Rate Hypothesis.
3. Answer any *three* of the following questions using not more than 750 words each 16×3=48
- a) Discuss the various methods measuring National income.
 - b) Discuss the theory of involuntary unemployment as proposed by Patinkin. 16
 - c) What is permanent income? What is its role in determining consumption behaviour? Discuss critically. 2+14
 - d) State and explain the Portfolio Diversification approach to the theory of Demand for money.
 - e) Explain the lures and dangers in exchange market intervention when exchange rates are flexible. Do you think such intervention is a good idea? 12+4