

2019

B.Sc.

3rd Semester Examination

ECONOMICS

(Honours)

Paper - C 6-T

Full Marks : 60

Time : 3 Hours

*The figures in the margin indicate full marks.
Candidates are required to give their answers
in their own words as far as practicable.*

GROUP-A

1. Answer any *ten* questions. : 10×2=20
- (a) What is Phillips curve? 2
- (b) Define 'built-in-stabilizer'. 2
- (c) What is the implication of horizontal part of the LM curve? 2
- (d) What is balanced budget multiplier? 2

[Turn Over]

- (e) What is investment multiplier? 2
- (f) Distinguish autonomous investment and induced investment. 2
- (g) What is the relation between interest elasticity of investment and the slope of IS curve? 2
- (h) What is effective demand? 2
- (i) Define hysteresis. 2
- (j) What is discretionary fiscal policy? 2
- (k) What is crowding out? 2
- (l) What is flexible exchange rate (or floating exchange rate) concerned to FOREX? 2
- (m) What is the difference between depreciation and devaluation? 2
- (n) What is rational expectations hypothesis? 2
- (o) What is liquidity trap? 2

GROUP-B

2. Answer any *four* questions. : 4×5=20

- (a) Describe the concepts of voluntary and involuntary unemployment as propounded by keynes. 5

- (b) Why does the IS curve slope downward? 5
- (c) Considering supply money as a rising function of market rate of interest determine the shape of LM curve. 5
- (d) Analyse applicability of multiplier theory in the less developed countries (LDCs). 5
- (e) Is trade deficit a cause for alarm in an open economic system? Discuss briefly. 5
- (f) Explain the relationship between the effectiveness of monetary policy and the interest elasticity of investment. 5

GROUP-C

3. Answer any *two* questions. : 2×10=20
- (a) With the help of IS-LM framework analyse the case when both fiscal and monetary policies become effective. 4+6
- (b) What are the natures of Phillips curve? Why is a long-run Phillips curve steeper than the short run one? 4+6

[Turn Over]

- (c) In the Mundell-Fleming model with floating exchange rates, explain what happens to aggregate income, exchange rate and trade balance when tax rates are raised. What would happen if exchange rates were fixed rather than floating? 10

- (d) Consider the impact of an increase in thriftiness in the Keynesian cross. Suppose the consumption is—

$$C = \bar{C} + c(Y - T)$$

Where,

$\bar{C} \Rightarrow$ Autonomous Consumption

$c \Rightarrow$ MPC

C, Y & T have their usual symbolic meanings.

- (i) What happens to the equilibrium income when the society becomes more thrifty as represented by a decline in c.
- (ii) What happens to the equilibrium saving?
- (iii) Why is that the result called paradox of thrift? 10