

63/1 (SEM-3) CC5/ECOHC3056

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(Held in 2023)

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 : 1×6=6

(a) Exchange rate determined purely by the forces of demand and supply is known as

(i) fixed exchange rate

(ii) floating exchange rate

(iii) pegged exchange rate

(iv) managed exchange rate

(2)

- (b) 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
- (c) What is the shape of the Keynesian aggregate supply curve before the full-employment level is attained?
- (i) Perfectly elastic
 - (ii) Perfectly inelastic
 - (iii) More elastic
 - (iv) Unitary elastic
- (d) If too much money is chasing too few goods, the resulting inflation is known as
- (i) stagflation
 - (ii) cost-push inflation
 - (iii) demand-full inflation
 - (iv) None of the above

(3)

- (e) When does exchange rate in terms of domestic currency rise?
- (i) Exports become cheaper
 - (ii) Imports become cheaper
 - (iii) Exports become costlier
 - (iv) No effect on imports
- (f) The purchasing power parity theory of exchange rate was developed by
- (i) Kindleberger
 - (ii) Keynes
 - (iii) Gustav Cassel
 - (iv) None of them

2. Answer the following questions : 2×5=10

- (a) What is open economy?
- (b) Write the meaning of appreciation of currency.
- (c) What is stagflation?
- (d) Mention any two merits of fixed exchange rate.
- (e) Define natural rate of unemployment.

(4)

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

- (a) Explain briefly the monetary approach to balance of payments adjustment.
- (b) Write a short note on international financial market.
- (c) Define aggregate demand. Derive it graphically. 2+3=5
- (d) Differentiate between real and nominal exchange rates.
- (e) What is Phillips curve? Briefly state the trade-off between inflation and unemployment with the help of Phillips curve. 2+3=5
- (f) Explain how interaction of aggregate demand and aggregate supply determines equilibrium level of output (income) and price.
- (g) Elaborate Dornbusch's overshooting model.
- (h) State briefly the different components of aggregate demand.
- (i) Explain the factors which cause a shift in the short-run Phillips curve.

(5)

4. Answer any two of the following questions :
10×2=20

- (a) What is exchange rate? Explain the determination of equilibrium exchange rate with the help of a suitable diagram. 2+8=10
- (b) Write the concept of adaptive expectation. Explain how, with their help, Friedman proves that Phillips curve is vertical in the long run. 2+8=10
- (c) Distinguish between demand-pull inflation and cost-push inflation. Why is it difficult to separate one from the other? 7+3=10

5. Answer any one of the following questions : 14

- (a) Discuss the purchasing power parity theory of determination of exchange rate. Also mention some of its limitations. 10+4=14
- (b) Critically examine the Mundell-Fleming model with the help of a diagram. What are the drawbacks of this model? 10+4=14
