

2021

ECONOMICS — HONOURS

Third Paper

(Group - B)

Full Marks : 50

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

SECTION -A

1. Answer **any five** questions :

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| (a) Explain what do you mean by Fisher's Effect. | 4 |
| (b) If mpc is 0.8, by how much should government spending rise, to increase equilibrium output by 2220? | 4 |
| (c) Find the value of the multiplier for mpc = 0.75. | 4 |
| (d) What is natural rate of unemployment? Can it ever be zero? | 2+2 |
| (e) What is high powered money? How will it change if the currency deposit ratio in the economy changes? | 2+2 |
| (f) How does the value of Tobin's 'q' related to macroeconomic performances? | 4 |
| (g) If the money supply is ₹ 500 and nominal income is ₹ 4,000; find out the velocity of money. | 4 |
| (h) Explain the following terms : | 2+2 |
| (i) Real effective exchange rate | |
| (ii) Managed exchange rate. | |

SECTION -B

2. Answer **any five** questions :

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| (a) What is the relation between Capital account and Current account? Mention the ways to finance current account deficit. | 4+2 |
| (b) The Phillis curve is merely a convenient way to express and analyze aggregate supply. Explain. Does classical dichotomy hold under Phillips curve? | 4+2 |
| (c) Explain the effectiveness of fiscal policy varies with respect to the slope of LM curve. | 6 |
| (d) How does an economy achieve internal and external balance under fixed exchange rate? | 6 |

Please Turn Over

- (e) Explain the steady state growth path and the Golden rule level of capital accumulation in Solow's growth model. 6
 - (f) Suppose that the government cuts income taxes. Show in the IS-LM model the impact of the tax-cut under two assumptions. 6
 - (g) How will the AS curve be derived if firms in one sector have imperfect information on other sector's prices? Show the change in the AS curve if this imperfection is corrected over time. 6
 - (h) If an individual's lifespan is divided in two periods namely period 1 and period 2, how will he decide the optimum levels of consumption in these two periods? What happens if there is a rise in the rate of interest? (use the case of net borrower) 6
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