

63/1 (SEM-3) ECO CC 5

2019

ECONOMICS

Paper : CC-5

(Intermediate Macroeconomics—I)

Full Marks : 80

Time : 3 hours

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

1. Answer the following questions : 1×6=6

- (a) What does aggregate demand curve show?
- (b) Who propounded the purchasing power parity theory?
- (c) What do you mean by depreciation?
- (d) Define Phillips curve.
- (e) What does NAIRU stand for?
- (f) "The interaction of aggregate demand and aggregate supply may not be equal at the level of full employment." Write True or False.

(2)

2. Answer the following questions : $2 \times 5 = 10$

- (a) Why does the aggregate demand curve slope downward?
- (b) What is natural rate hypothesis?
- (c) How does an increase in government expenditure affect the aggregate demand curve?
- (d) Mention two segments of international financial markets.
- (e) What is unemployment rate?

3. Answer the following questions (any six) :

$5 \times 6 = 30$

- (a) Why might the short-run aggregate supply curve shift? Give reasons.
- (b) In what ways does the asset market approach differ from the monetary approach?
- (c) How does Phillips curve explain inflation-unemployment trade-off?
- (d) Write a short note on adaptive expectations hypothesis.
- (e) State and explain briefly the two approaches of purchasing power parity theory.

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(Continued)

(3)

- (f) Summarize the effectiveness of different policies in the Mundell-Fleming model under floating and fixed exchange rates.
- (g) State and explain briefly the various types of exchange rate.
- (h) What are the various causes of inflation?
- (i) Distinguish between IS-LM model and Mundell-Fleming model.

4. Answer the following questions (any two) :

10×2=20

- (a) Explain the derivation of aggregate demand curve.
- (b) Discuss the hypothesis of rational expectations.
- (c) How is the equilibrium exchange rate determined under a flexible exchange rate system? Explain.

5. Answer the following questions (any one) : 14

- (a) What is meant by exchange rate? Explain Dornbusch's overshooting model with the help of diagram. 2+12=14
- (b) Discuss some policy ineffectiveness debate over the Phillips curve.

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