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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

- (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

- (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.

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.

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

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