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63(FY) SEM-4/MAJ/ECOMAJ2034

2025

ECONOMICS

(Major)

Paper : ECOMAJ2034

(Intermediate Macroeconomics-I)

Full Marks : 70

Pass Marks : 28

Time : Three hours

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

1. Choose the correct answer from the following questions : 1×6=6
 - (a) The money supply in an economy is primarily controlled by :
 - (i) Commercial banks
 - (ii) Government
 - (iii) Central Bank
 - (iv) Private firm

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Contd.

(b) Which of the following is not a phase of business cycle?

(i) Expansion

(ii) Peak

(iii) Depression

(iv) Inflation

(c) Who is responsible for implementing monetary policy in India?

(i) Ministry of Finance

(ii) Parliament

(iii) Central Bank

(iv) President

(d) Fiscal policy is primarily concerned with:

(i) Interest rates and inflation

(ii) Government spending and taxation

(iii) Money supply and credit control

(iv) Exchange rates

(e) During which phase of the business cycle does consumer confidence typically decline?

(i) Expansion

(ii) Peak

(iii) Contraction

(iv) Recovery

(f) Which of the following is not a part of the circular flow of income in a two-sector model?

- (i) Households
- (ii) Firms
- (iii) Government
- (iv) Factor markets

2. Answer the following questions : **(any five)**

2×5=10

- (a) What do you mean by aggregate demand?
- (b) Distinguish between nominal GDP and real GDP.
- (c) How can a government finance a budget deficit?

(d) Define 'peak' in the context of the business cycle.

(e) Write the meaning of circular flow of income in a two-sector economy.

(f) What do you mean by demand for money?

(g) How does inflation typically behave during the boom phase?

3. Answer the following questions : **(any six)**

5×6=30

(a) Define the business cycle and explain its four main phases. 1+4=5

(b) How do fiscal deficits affect long term economic growth and stability?

(c) What are the potential adverse effects of prolonged use of expansionary monetary policy?

- (d) Explain in brief the role of expectations in business cycles.
- (e) What are the tools of fiscal policy? Explain in brief.
- (f) Outline the working of the circular flow of income and expenditure in a two-sector economy.
- (g) Which business cycle theory do you think best explains current economic fluctuations and why?
- (h) How does the demand and supply of money affect inflation and interest rates?
- (i) What are macroeconomic models and why are they important in understanding the economy? 2+3=5

4. Answer the following questions : **(any two)**

12×2=24

- (a) Explain the Keynesian theory of business cycles. Mention its limitations.
10+2=12
- (b) Discuss the challenges of implementing effective monetary policy.
- (c) Evaluate the effectiveness of expansionary and contractionary fiscal policy in stabilizing the economy.
6+6=12
- (d) Discuss the role of government in modern economy. Why is government intervention necessary in market economies? 10+2=12