

2022

**ECONOMICS — HONOURS**

**Paper : CC-6**

**(Intermediate Macroeconomics-I)**

**Full Marks : 65**

*The figures in the margin indicate full marks.*

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

**Group - A**

1. Answer *any ten* questions.

2×10

- (a) Discuss briefly the circumstances where fiscal expansion leads to full crowding out.
- (b) What is the economic logic behind positive slope of LM curve? What do points off the curve imply?
- (c) Diagrammatically explain the concept of fiscal cum accomodating monetary policy.
- (d) The IS equation is  $Y = 500 - 2000r$ . Do you think  $r = 0.02$  and  $y = 450$  represent a point on the IS schedule?
- (e) Using IS-LM model find the impact on output and rate of interest of a decrease in the credit reserve ratio.
- (f) What happens to Aggregate Demand curve when monetary authority reduces money supply?
- (g) How does Pigou challenge Keynesian unemployment equilibrium by Real Balance Effect?
- (h) Friedman's theory of money demand differs from Keynesian theory of money demand in several respects. Mention any two.
- (i) Distinguish between repo rate and reverse repo rate.
- (j) Suppose monetary base is 30,000/-, reserve deposit ratio is 0.1, currency deposit ratio is 0.4. Find the money multiplier and total money supply in the economy.
- (k) What is high powered money?
- (l) What do you mean by liquidity trap?
- (m) Explain the concept of inflationary gap.
- (n) What is sacrifice ratio?
- (o) Explain the concept of target real wage in the Sticky Wage Model of Aggregate supply.

**Please Turn Over**

**Group - B**

2. Answer *any three* questions.

5×3

- (a) Derive the Balanced Budget Multiplier in the IS-LM model and explain why its value differs from that of the simple Keynesian model.
- (b) How would you construct the Aggregate Demand curve in the complete Keynesian Model? Why is it negatively sloped?
- (c) State the monetarist proposition and explain Friedman's money demand function.
- (d) Explain the statement :  
'Deficit Financing can be positive or negative when the budget is balanced'.
- (e) Explain why the Aggregate Supply Curve is positively sloped in terms of the Workers Misperception model.

**Group - C**

Answer *any three* questions.

3. (a) Explain the relationship between effectiveness of Monetary Policy and interest elasticity of investment.
- (b) Discuss the effectiveness of Monetary Policy if the interest elasticity of investment demand is high.
- (c) Explain the relationship between effectiveness of Fiscal Policy and interest elasticity of investment. Why do the two relationship differ?  
3+2+5
4. Using the equational structure of the Keynesian model and the classical model indicate the difference between the two models. Which difference alters the conclusion of the model and why?  
7+3
5. Find the effects of the following in a complete Keynesian model :
  - (a) An increase in government expenditure
  - (b) Effect of a wage cut.  
4+6
6. (a) Trace the effects of an increase in high powered money to an increase in money supply through the money multiplier.
- (b) How does an increase in rate of interest affect the currency deposit ratio and the reserve ratio and hence money demand?  
7+3
7. How is macroeconomic policy conflict reflected through short run Phillips curve? Is this conflict visible in the long run?  
5+5