

2023

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

2×10

1. Answer *any ten* questions :

- Do you think that the value of the Balanced Budget Multiplier may be unity in IS – LM framework?
- Discuss the effectiveness of monetary policy if interest elasticity of demand is high.
- What is involuntary unemployment?
- Discuss any two tenets of monetarism.
- What is budget deficit?
- What is mark up inflation?
- What do points off the IS curve imply?
- What do you understand by the concept of 'Crowding out'?
- Define the concept of 'M₃' in money supply.
- Discuss in brief the concept of 'Disinflation'.
- What is the difference between Statutory liquidity ratio and Variable reserve ratio?
- What is stagflation?
- State two major differences between the Keynesian system and Classical system.
- What is wage rigidity?
- Explain briefly what you understand by the concept of 'Balance Sheet of Reserve Bank of India'.

Group - B

5×3

2. Answer *any three* questions :

- (a) Obtain the equilibrium values of
- Y
- and
- r
- for the following economy :

$$C = 60 + 0.8 Y_d$$

$$I = 150 - 10r \quad G = 250 \quad T = 200$$

$$P = 1, M^s = 100$$

$$\frac{M^d}{P} = 40 + 0.1 Y - 10r$$

Please Turn Over

- (b) Do you think Friedman's version of Quantity Theory is an improvement over the classical one?
- (c) What is the effect of interest sensitivity of money supply on slope of LM curve?
- (d) Do you think an increase in Government expenditure has a smaller effect on income in ISLM model than in SKM?
- (e) Distinguish between demand pull and cost push inflation.

Group - C

Answer *any three* questions.

3. Derive the money multiplier and explain what happens when there is a rise in high powered money. 7+3
4. What is unemployment equilibrium? Explain briefly the possible causes of unemployment equilibrium. In this context do you think that Real Balance Effect is a possible solution to the problem of unemployment equilibrium? Explain with reasons. 3+3+4
5. What is the difference between 'adaptive expectations' and 'national expectation'? What is the role of the Central Bank in controlling inflation and for it what policy measures can the Central Bank of a country undertake? 5+5
6. Explain with reasons if each of the following statements is true or false :
 - (a) If investment does not depend on the interest rate, IS curve is vertical.
 - (b) If money demand does not depend on the interest rate, LM curve is vertical.
 - (c) If money demand does not depend on income, LM curve is vertical.
 - (d) If money demand is extremely sensitive to interest rate, LM curve is vertical. 2+2+3+3
7. How is the Phillips curve related to aggregate supply? Define the concept of M_1 , M_2 , M_4 with special reference to India. 6+4