

2025

ECONOMICS — HONOURS

Paper : DSCC-2

(Macroeconomics - I)

Full Marks : 75

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) Define induced investment.
- (b) If a savings function is represented by $S = -25 + 0.4Y$, determine the value of marginal propensity to consume (MPC).
- (c) State the Say's law of Markets.
- (d) Define inflationary gap.
- (e) "If the famous Indian singer Arijit Singh earned ₹ 25 lakhs from a musical concert in New York, it will be included in India's GDP." — Justify whether the statement is true or false.
- (f) Let a Keynesian consumption function is given by $C = 100 + 0.8Y$, Investment (I) = ₹ 100. How does equilibrium income change if autonomous consumption is increased by 20%?
- (g) Define transfer income.
- (h) Justify whether the following statement is true or not—
"In the identity $C+I+G+X-M \equiv GDP$, M does not include imported intermediate inputs."
- (i) From the consumption function $C = 50+0.5Y$, show that $MPC < APC$.
- (j) Define fiscal policy.
- (k) State the difference between GDP and GNP.
- (l) How are inventories treated in the accounting of national income?
- (m) Distinguish between real and nominal interest rate.
- (n) What is the role of demand in the Classical model?
- (o) What is hyperinflation?

Please Turn Over

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Group – B

2. Answer **any five** questions :

- (a) Discuss the sources of supply of loanable funds. 5
- (b) Write a short note on neutrality of money. 5
- (c) Discuss the circular flow of income in a three sector model. 5
- (d) Consider the following data :

Items	₹ (in crores)
GNP at market price	800
Subsidy payments	40
Gross domestic private investment	230
Net domestic private investment	200
Indirect Business Taxes	55

- Calculate the Depreciation. Determine the national income from the above data. 2+3
- (e) Distinguish between demand pull and cost push inflation. 5
- (f) Define a closed economy. Show that in a closed economy private investment must be equal to the sum of private savings and net government saving. 2+3
- (g) What is desired capital stock? How does it depend on the expected future marginal product of capital, the user cost of capital? 2+3
- (h) Define velocity of money. What factors determine the velocity of money in the Classical system? What is the relationship between the velocity of money and Cambridge 'k'? 1+2+2

Group – C

Answer **any three** questions.

3. (a) What is classical dichotomy?
- (b) Determine equilibrium income and employment in a classical model. 2+8
4. (a) Define Balanced budget multiplier.
- (b) Determine the value of Balanced budget multiplier in Simple Keynesian Model when the economy is closed.
- (c) Does the value of the balanced budget multiplier change in an open economy when export is exogenous and import is a positive function of income? 2+5+3
5. (a) Discuss the demand pull inflation with the help of a diagram.
- (b) Define bank rate and open market operations. Discuss their effectiveness to control the inflation. 5+(2+3)

6. (a) Distinguish between

(i) GNP and NNP

(ii) Personal income and personal disposable income.

(b) What is a transfer payment and why are such payments not included in GNP measure?

(c) You are given the following data in crores of rupees :

Government and business transfer :	15
Indirect business tax :	30
GNP :	630
Social security contributions :	20
Personal taxes :	25
Depreciation :	80
Residential construction :	70
Retained earnings :	0
Personal consumption expenditure :	390
Direct business taxes :	40

Calculate the value of NNP, national income, personal income and disposable income. 4+2+4

7. (a) Assuming taxes are exogeneous, derive the tax multiplier. Explain why the multiplier is negative as well as smaller, in absolute terms, than the government purchases multiplier.

(b) What is paradox of thrift? (4+4)+2