

2026

ECONOMICS — HONOURS

Paper : DSCC-6

(Macroeconomics - II)

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 what is an IS curve.
- (b) What are the variables that determine the position of an IS curve?
- (c) Draw the LM curve at the classical zone.
- (d) Mention two differences between the Classical and Keynesian model.
- (e) What do you mean by full crowding out?
- (f) Can expectation be rational if there exist imperfect information?
- (g) Define a money multiplier.
- (h) When does painless disinflation occur?
- (i) How does the long-run Phillips curve look like?
- (j) What are the differences between the SKM and CKM?
- (k) Define high-powered money.
- (l) Explain the difference between repo rate and reverse repo rate.
- (m) What is broad money?
- (n) How will the aggregate supply curve shift if there is a favourable supply shock?
- (o) Can monetisation of the budget deficit cause inflation?

Group - B

2. Answer *any five* questions :

5×5

- (a) In the Hicks-Hansen model, explain the impact of expansionary monetary policy, with interest-sensitive money supply.

Please Turn Over

(6899)

- (b) Derive the slope of the IS curve when,
- Investment is autonomous
 - Investment is inversely related to real rate of interest.
- (c) What is Keynes effect? How does it differ from the Pigou effect?
- (d) Explain unemployment equilibrium in the Complete Keynesian Model.
- (e) Why does the short-run Phillips curve called a mirror image of the short-run aggregate supply curve?
- (f) How did Friedman restated the Classical Quantity Equation? Comment on the importance of Human capital in that equation.
- (g) Do you think the assumption of interest-inelastic investment function and infinitely elastic money demand function in the Keynesian model are essential for the effectiveness of Fiscal policy?
- (h) Suppose that —

$$C = 400 + 0.75Y_d$$

$$I = 400 - 20r$$

$$G = 300, T = 400$$

$$\frac{M^d}{P} = 0.25Y - 10r$$

$$M^s = 1000, P = 2$$

Calculate the equilibrium values of Y and r . If G is increased by 100, what will be the effect on Y ?

Group - C

Answer *any three* questions.

- Explain the different measures of money supply in India.
 - Derive the money multiplier from the money supply equation. How does it differ from the deposit multiplier? 5+(3+2)
- Explain how the aggregate demand (AD) curve can be derived by using the income version of the Classical Quantity Equation. What are the essential assumptions required for this derivation? Is the income velocity of money really constant in a modern economy? 6+2+2
- Derive the AD curve from the IS-LM model.
 - Explain the impact of fiscal policy changes on the AD curve. 5+5

(3)

F(4th Sm.)-Economics-H/DSCC-6/CCF

6. If consumption depends positively on income, and negatively on real rate of interest so that,

$$C = C(Y, r), \frac{\partial C}{\partial Y} > 0, \frac{\partial C}{\partial r} < 0$$

whereas, investment also depends positively on income and negatively on the rate of interest so that,

$$I = I(Y, r), \frac{\partial I}{\partial Y} > 0, \frac{\partial I}{\partial r} < 0$$

Suppose G rises.

- (a) Will there be crowding out of private investment? Explain.
 - (b) What will be the impact of rise in G on consumption?
 - (c) If the output is at full employment, will the impact of rise in G on I and C be the same?
- 4+3+3
7. (a) Use the Sticky-wage model to explain why SRAS curve is upward sloping.
- (b) If Sticky-wage is the only reason why SRAS is upward sloping, then making wages and prices flexible can ensure automatic full employment in the Keynesian model. Do you agree? 6+4
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