

2026

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 GDP deflator.
- (b) What do you mean by autonomous investment?
- (c) Define Marginal Efficiency of Capital (MEC).
- (d) If net factor income from abroad is negative, what will be the relationship between GNP and GDP?
- (e) Mention two qualitative measures of controlling inflation.
- (f) Define the velocity of circulation of money.
- (g) If the autonomous consumption is ₹ 80 and MPC is 0.8, frame a consumption function in Simple Keynesian Model where Y stands for Income and C stands for Consumption.
- (h) What is statutory liquidity ratio?
- (i) Let a savings function is given by $S = -100 + 0.5Y$. Derive and draw the consumption function in this context where S and Y have their usual meanings.
- (j) Define neutrality of money.
- (k) State the difference between personal income and personal disposable income.
- (l) What are the views of the classical school regarding full employment?
- (m) Explain the difference between government purchases and transfer payments.
- (n) Distinguish between Stock and Flow variables.
- (o) Define the concept of stagflation.

Please Turn Over

(7445)

Group – B

2. Answer *any five* questions :

- (a) What is double counting in national income? How can you derive national income from gross national product? 2+3
- (b) Discuss inflationary gap with the help of a diagram. 5
- (c) What is Marginal Efficiency of Investment (MEI)? What is the shape of MEI curve? Mention the reason for this shape. 2+1+2
- (d) Define Balanced Budget Multiplier. Derive the value of balanced budget multiplier in a Simple Keynesian Model. 2+3
- (e) Suppose in 2025, there were only three firms in an economy—a bakery firm (Firm 1), a flour mill (Firm 2) and wheat producing firm (Firm 3). Suppose in the given year the bakery produced bread worth ₹ 500 using the entire output of flour of ₹ 300 of Firm 2. Firm 2 in turn produced its output using the half the output of wheat of ₹ 300 of Firm 3. Calculate the true value of the output of each firm giving reasons. 5
- (f) In a three sector economy with household sector, firm and government explain the injection and leakage associated with circular flow of income. 5
- (g) “Cost push inflation always occurs at a less than full employment situation.”— Discuss. 5
- (h) Define the Keynesian consumption function with a linear algebraic form. Derive the corresponding saving function from it and state the short-run relationship between the Marginal Propensity to Consume (MPC) and the Average Propensity to Consume (APC). 5

Group – C

Answer *any three* questions.

3. (a) In a hypothetical economy
 GDP = ₹ 6,000
 Personal Disposable Income = ₹ 5,100
 Government Budget Deficit = ₹ 200
 Consumption = ₹ 3,800
 Trade Deficit = ₹ 100.
 Find out the values of Savings, Investment and Government Expenditure.
- (b) “In the identity $C+I+G+X-M \equiv GDP$, M does not include imported intermediate inputs.” — State whether the following statement is true or false. (2+2+2)+4
4. (a) In a Simple Keynesian framework with autonomous investment and where tax is an increasing function of income, show that a proportionate rise in government expenditure leads to a more than proportionate increase in national income.
- (b) If equilibrium income is ₹ 1050, autonomous consumption is ₹ 160, autonomous investment is ₹ 50, what will be the value of marginal propensity to save (MPS)?
- (c) Distinguish between Gross investment and Net investment. 5+3+2

5. (a) "If marginal propensity to save is greater than marginal propensity to invest, an increase in personal savings leads to the reduction in national income and savings."— Is it true? If yes, discuss the reasons behind this paradoxical result.
- (b) In a two sector economy without the government sector, an increase in autonomous investment leads to a two-fold increase in national income. Determine the value of Marginal Propensity to Consume (MPC).
- (c) In a Simple Keynesian Model, when the consumption function will be parallel to the savings function? 5+3+2
6. In a classical model, show how the full employment is guaranteed? Discuss the impact of increase in money supply in the outcome of this model. 7+3
7. Discuss the Cash balance version of the Quantity Theory of Money. Is Say's Law inconsistent with the Quantity Theory of Money? 7+3
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