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