Krishna Kanta Handiqui State Open University

MA 1st Sem. Examination, 2016

Subject : Economics/Applied Economics

Paper : 02

Macro Economics-01

Time : 3 Hrs. *Full Marks : 80*

1. Answer any five from the following questions. 2×5 = 10 (each within 50 words)
   (a) Why transfer payments are not included in national income?
   (b) Which incomes are included in mixed income?
   (c) State the Keynesian Psychological Law of Consumption.
   (d) Distinguish between investment and capital.
   (e) When does suppressed inflation occur?
   (f) On what ground, did Keynes criticise the quantity theory of money?

2. Answer any three from the following questions. 4×3 = 12 (each within 150 words)
   (a) What is an IS curve? Why does it slope downward?
   (b) "Supply creates its own demand". Discuss.
   (c) According to Keynes, "Inflation is a situation of an excess of the aggregrate demand over the full emplyoment output in the economy". Explain.
   (d) Show the relationship between investment and the rate of interest as discussed by Keynes.

3. Answer any three from the following questions. 6×3 = 18 (each within 250 words)
   (a) Distinguish between personal income and disposable personal income. Briefly discuss any three major importance of the concept of Gross National Product.

(b) With the help of appropriate figure, explain the relationship between price level and money in circulations in an economy as postulated by the early quantity theorists.

(c) What does marginal propensity to consume mean? Discuss the properties of Keynesian consumption function.

(d) Discuss the concept of Life Cycle Hypothesis.

4. Answer any four from the following questions. 10×4 = 40 (each within 500 words)

(a) Briefly discuss the concept of social accounting. Explain circular flow of national income in a two-sector economy with the help of an appropriate figure. 5+5

(b) Differentiate between Gross National Product(GNP) and Net National Product(NNP). Discuss the process of determination of real output as postulated by the Classical theory of employment. 5+5

(c) Brifly discuss the concept of logical multiplier with the help of an appropriate figure. Briefly discuss the concept of super multiplier and state how does it differ from the logical multiplier. 5+5

(d) Write short notes on :

(i) Speculative Demand for money.

(ii) Monetary policy as a mechanism to deal with economic fluctuations.

(e) Discuss Keynes' Psychological Law of consumption with the help of an appropriate figure. Discuss its empirical evidence. Draw the limitations of its applicability in the developing country context. 4+2+4

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