815 (MACI)

[19-HRPGKOW-M1S(N) 20M]

MA 1st Semester (New) Exam., 2019 (W)

ECONOMICS

[PGEC S1-02]

(Macroeconomics—I)

Full Marks : 80

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. *(a)* Answer the following questions in *1* or *2* sentence(s) each : 1×8=8

(i) Define the term 'net factor income'.

(ii) Mention the sectors that are included in a three-sector national income model.

(iii) Why was general overproduction in the economy ruled out in the classical theory of national income?

(iv) On what context did Keynes consider the classical argument of wage-cut as correct?

(v) State Keynes' psychological law of consumption.

(vi) State the relative income hypothesis.

(vii) Define the term 'marginal efficiency of capital'.

(viii) Define the term 'investment multiplier'.

(b) Choose the correct option of the following : 1×4=4

(i) Who among the following is associated with accelerator-multiplier interaction model?

(1) J. M. Keynes

(2) Milton Friedman

(3) P. A. Samuelson

(4) Peter F. Drucker

(ii) Which of the following represents the total change in income at the fourth level of the concept of dynamic multiplier?

(1) $Y_4 = Y_1 + \Delta I + b\Delta I + b^2\Delta I$

(2) $Y_4 = Y_3 + b^3 I$

(3) $Y_4 = Y_1 + \Delta I + b\Delta C + b^2\Delta C$

(4) $Y_4 = Y_3 + b^3 C$

(iii) In the modified version of Fisher's equation $MV + M'V' = PT$, what does M' represent?

(1) Money deposit in banks

(2) Money at hand with public

(3) Demand deposit of banks (credit money)

(4) Demand deposit of banks (investment money)

(iv) Which of the following is not a determinant of the transaction motive of money according to Keynes?

(1) Spending habit

(2) Method of payment

(3) Size of personal income

(4) Size of national income

(Continued)

(c) Fill in the blanks : 1×4=4

(i) According to the neo-classical approach, the rate of interest is determined by the equality between the demand for and supply of _____.

(ii) Under fixed exchange rate and _____, fiscal policy is extremely effective.

(iii) Personal income = _____ – Corporate tax – Undistributed profit.

(iv) Marginal efficiency of capital means _____ from a new capital asset.

2. Answer any *five* questions (each in around *50* words) : 2×5=10

(a) How does disposable personal income differ from personal income?

(b) How did Pigou react to Keynes' underemployment equilibrium?

(c) Why leakages occur in the multiplier?

(d) Define the concept of balanced-budget multiplier.

(e) State the determinants of demand for money of the business firms as outlined by Friedman.

(f) Graphically represent the concept of monetary expansion with the help of LM curve.

3. Answer any *four* questions (each in around *150* words) : 3×4=12

(a) Briefly discuss the benefits and importance of social accounting.

(b) Briefly discuss the concept of Ratchet effect.

(c) State the concepts of IS and LM curves.

(d) Briefly explain the cash balance approach of demand for money.

(e) Discuss the criticisms levelled against the permanent income hypothesis.

4. Answer any *three* questions (each in around *250* words) : 6×3=18

(a) Discuss the Mundell-Fleming model of perfect capital mobility under fixed exchange rate.

(b) "Combined operation of multiplier and accelerator provides endless possibilities." Explain the statement with the help of appropriate example.

(c) In the concept of national income, explain the significance of the terms 'normal residents' and 'domestic territory'. 3+3=6

(d) Discuss the determination of equilibrium level of income and employment according to the classical approach.

5. Answer any *three* questions (each in around *300* words) : 8×3=24

(a) Discuss the determination of equilibrium level of income and output as outlined by Keynes. Is the Keynesian framework of effective demand relevant for the developing countries? Discuss. 5+3=8

(b) Discuss the concept of liquidity trap. Why the Keynesian approach to demand for money has been criticized? Discuss. 4+4=8

(c) Discuss the concept of dynamic multiplier.

(d) Discuss the empirical validity of the Keynesian consumption function. Discuss the major limitations of the Keynesian consumption function. 4+4=8

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