[23-HKPD1SNP - 24M]

MA 1st Semester (NEP) Examination, 2023 (W)

ECONOMICS (DSC)

(Macroeconomic Theory - I)

[EC S1 - 02]

Full Marks : 70

Time : 3 hours

The figures in the right-hand margin indicate marks.

1. Answer any *five* from the following questions (each in around 400 words): $10 \times 5 = 50$

(*a*) Explain the circular flow of income in

(*i*) A three-sector economy and also in

(*ii*) A four sector economy.

(*b*) Give a critical analysis of Keyne's theory of income determination.

(*c*) The following information are given regarding an input-output transaction matrix:

Sectors	Inputs				output
	Agriculture (1)	Manufacturing (2)	Others (3)	Final Demand (4)	(5)
Agriculture	-	20	10	32	
Manufacturing	18	-	23	28	
Others	10	17	-	30	
Imports	16	18	8	18	
Primary inputs	18	14	16	-	
Total gross inputs					

Now, based on the information provided in the Table: 3+7 = 10

(*i*) Calculate total output and inputs across each rows and columns.

(*ii*) Explain your finding in terms of the input-output transaction matrix.

(*d*) Consider the following information:
MPC = 0.5
Accelerator coefficient = 2
Initial investment = Rs 200 cores.
The initial investment is likely to affect income and other variables from the subsequent periods.
Calculate (*i*) Induced consumption

(*ii*) Induced investment and

(*iii*) Increase in income upto period t+7 considering the initial period as t+1. Present your findings in a Tabular format and explain.

(*e*) Illustrate the interaction between multiplier and accelerator.

(*f*) Explain the cash-balance approach of the quantity theory of money. Is it superior to the transaction approach ? Justify your answer.

(*g*) Draw the policy relevance of Keynes liquidity preference theory. Discuss the concept of liquidity trap. 5+5 = 10

(*h*) Explain how the rate of interest is determined in an economy with the help of IS-LM model.

2. Answer any *four* from the following questions (each in around 200 words): 5 × 4 = 20

(*a*) Describe the relationship between national income and personal income.

(*b*) The value of MPC is given as 0.25 if the net investment increases by Rs. 100 crores in each period, show the effect of this investment on consumption and income. Explain your finding.

(*c*) State the implications of Keynes' Law of psychological consumption.

(*d*) Describe the relevance of multiplier in the context of developing economy.

(*e*) Give an outline of the concept of balanced budget multiplier.

(*f*) Briefly explain the operation of Mundell-Fleming model in an open economy.