[24-HKPD1SN-24J (M2)]

MA 1st Semester (NEP) Exam. 2024 (S2)

ECONOMICS

(*Macroeconomic Theory-I*)

[PGEC, 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 classical theory of employment and income. Point out on what grounds Keynes opposed the classical thinking. 7+3 = 10

(*b*) Give an outline of Keynes basic framework of aggregate analysis. In that context explain Keynes theory of income determination. 3+7 = 10

(*c*) 'Consumption varies directly with income, but, the change in consumption is of a smaller magnitude than that of change in income'- Describe the law associated with this statement along with diagram.

(*d*) Define marginal efficiency of capital. Write about the long-run and short-run factors affecting marginal efficiency of capital. 2+8 = 10

(*e*) Elaborate the working of multiplier as developed by Keynes with the help of example and diagram.

(*f*) In the context of the quantity theory of money, is there any difference between $MV = PT$ and $MV + M'V' = PT$? Justify your answer by analysing transaction approach.

(*g*) Explain with the help of IS-LM model how the increase in government expenditure affect the national income by influencing the fiscal policy.

(*h*) Is it possible for an open economy to achieve internal and external balance with fiscal and monetary policies under flexible exchange rate ? Explain your answer in detail.

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

(*a*) 'The major difference between domestic and national income remains at the net factor income from abroad'- Clarify the statement by showing the meaning of domestic income and national income.

(*b*) Explain the balance of payment accounting of a country by showing a hypothetical example.

(*c*) Briefly explain the ratchet effect in regards to consumption function.

(*d*) 'Investment is not only autonomous, but also partly induced'- Explain the concept of super multiplier emphasising on the above statement.

(*e*) Describe the concept of fiscal multiplier.

(*f*) What is liquidity trap ? Explain it with the help of a diagram.