

2022

ECONOMICS — HONOURS

Paper : CC-6

(Intermediate Macroeconomics-I)

Full Marks : 65

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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
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