

2023

ECONOMICS — HONOURS

Paper : CC-3

(Introductory Macroeconomics)

Full Marks : 65

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

Section - A

1. Answer *any ten* questions :

2×10

- (a) What is the difference between NNP at market price and NNP at factor cost?
- (b) Define GDP deflator.
- (c) Define liquidity trap.
- (d) Why is the equilibrium in SKM not stable if $MPC > 1$?
- (e) If $C = 100 + 0.8Y$, derive the savings function where C = Consumption and Y = National Income.
- (f) Explain neutrality of money.
- (g) Mention any two factors that determine velocity of money.
- (h) What is the difference between Transaction demand and Speculative demand for money?
- (i) What do you understand by the term 'Says Law'?
- (j) State the main properties of Keynesian savings function.
- (k) Define Personal disposable income.
- (l) What is the relationship between bond price and rate of interest?
- (m) State whether the statement is true or false with reason —
"The value of goods produced by a British Company in the domestic boundary of India is a part of Indian GNP".
- (n) Explain, in brief, the concept of 'Keynesian Cross'.
- (o) What is Paradox of Thrift?

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Section - B

2. Answer *any three* questions :

- (a) Assume that GDP = ₹ 6,000, personal disposable income = ₹ 5,100, government budget deficit = ₹ 200, consumption = ₹ 3,800 and trade deficit (M - X) = ₹ 100.
- How large is savings?
 - What is the size of investment?
 - How large is government expenditure?
 - Show that a country that spends more than its income must have an external deficit. 1+1+1+2
- (b) Explain Quantity Theory of Money. 5
- (c) In a two-sector closed economy explain in brief the circular flow of Income. If you consider a two-sector open economy, how does the circular flow of income change? 5
- (d) Explain, in brief, lumpsum tax multiplier in the Simple Keynesian model. 5
- (e) Explain, in brief, the concept of Keynesian Liquidity Preference Schedule. 5

Section - C

Answer *any three* questions.

3. Explain the impact of —
- Increase in money supply
 - Increase in supply of labour
- on income, employment price and money wage in the classical mode. 5+5
4. Explain how the interaction of the multiplier and accelerator is capable of generating cyclical fluctuations endogenously. 10
5. (a) Determine Government Expenditure Multiplier—
- when tax is lumpsum
 - when tax is a function of income.
- (b) If in a two-sector economy autonomous consumption is given by ₹ 80 crores, equilibrium income is given by ₹ 525 crores, autonomous investment is ₹ 25 crores, find the marginal propensity to consume. (3+4)+3
6. (a) Explain the effects of changes in tax and government purchases on budget surplus.
- (b) Explain, in detail, the derivation of Balanced Budget Multiplier in the Simple Keynesian model. 5+5
7. (a) With an example, explain the 'Value Added Method' of income determination.
- (b) Explain, in detail, the expenditure method of national income calculation. 5+5

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