

2015
ECONOMICS
Paper : 1.2

MACRO ECONOMICS - I

Full Marks : 80
Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Answer the following questions using not more than 50 words each: 2×4=8
 - (a) Define the term nominal and real GDP.
 - (b) What does the LM schedule represent?
© What does the BP schedule represent?
 - (c) What is exchange depreciation?
2. Answer the following questions using not more than 100 words each: 5 x 4=20
 - (a) GNP at market price is Rs. 120; capital stock of the economy is worth Rs. 200 and it depreciates at the rate 10% per annum. Indirect taxes amounts to Rs. 30 and subsidy amounts to 15. What is national Income?

(b) Explain why long run aggregate supply curve is vertical under Keynesian framework.

(c) Explain the concept of sterilization and non-sterilisation effect.

(d) Distinguish between devaluation and exchange depreciation.

3. Briefly answer any two of the following questions: $10 \times 2 = 20$

(a) Distinguish between expenditure-changing and expenditure-switching approaches to balance of payment adjustment. Which of the two approaches is comparatively more appropriate for correcting disequilibrium in balance of payment? $7 + 3 = 10$

(b) Explain how income, output and employment are determined in classical model.

(c) Explain the concept of disequilibrium in international payments in terms of autonomous and accommodating capital flows.

(d) Why does the IS curve slopes downward from left to right? What factors cause the IS schedule to shift to the rightward?

4. Answer any two of the following questions: $16 \times 2 = 32$

(a) Explain the interrelationship between products or value

added, income and expenditure method of national income accounting. Does an increase in the size of national product signify an enhancement in national welfare?

$8 + 8 = 16$

Or

Examine the effects of the following in the IS-LM framework: $8 + 8 = 16$

i) An expansionary fiscal policy

ii) An expansionary monetary policy

(b) Examine the effect of an increase in the demand for labour on employment, output, wages and price level in the classical model. Explain its important policy implications for long-run. $2 + 14 = 16$

Or

Show the effectiveness of monetary and fiscal policy under Mundell-Fleming model with the flexible exchange rate under the limited degree of capital mobility. 16

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