

2018

ECONOMICS

ECO: 1.2

MACRO ECONOMICS-I

Time: 3 Hours

Full Marks : 80

The figures in the margin indicate full mark for the questions

1. *Answer the following questions :(within 50 words) 2 x 4 =8*
- Define imputed value.
 - Define Producer Price Index (PPI)
 - Define Real balance effect.
 - What is depreciation?
2. *Answer the following questions :(within 100 words) 5 x 4 = 20*
- GNP at market price is Rs.200; net income from abroad is Rs.20; and indirect taxes and subsidies are Rs. 20 and Rs. 10 respectively. Calculate GDP at market prices and GDP at factor cost.
 - Explain why long run aggregate supply curve is vertical under Keynesian framework.
 - Why does IS curve slopes downward from left to right.
 - Distinguish between balance on current and capital account.
3. *Answer any two of the following question: 10 x 2=20*
- Define LM curve. Derive it graphically and explain the relationship between the interest rate and income. 2 + 8= 10
 - Differentiate between nominal and real GDP . How does the GDP deflator reflect the overall level of price in the economy? Discuss 10
 - Explain in details the foreign trade multiplier. 10
 - Distinguish between expenditure changing and expenditure switching approach to the balance of payment adjustment. Which of the two approaches is comparatively more appropriate for correcting disequilibrium in balance of payments? 7+ 3 = 10

4. Answer the following questions:

16 x 2 = 32.

- a) Explain the interrelationship between product or value added, income and expenditure method of national income. Does an increase in national product signify an enhancement of national welfare?

10 + 6 = 16

Or

Critically examine how income, output and employment are determined in classical model.

- b) Show the effectiveness of monetary and fiscal policy under Mundel-Flemming model with the flexible exchange rate under the various degree of capital mobility.

Or

- c) Examine the effects of the following in the IS- LM framework:

8 + 8 = 16

- (i) An expansionary fiscal policy
(ii) An expansionary monetary policy
