2021

ECONOMICS — HONOURS

Paper : CC-6

(Intermediate Macroeconomics I)

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.

Group – A

1. Answer ***any ten*** questions : 2×10

(a) Diagramatically explain the concept of crowding out.

(b) If there is no speculative demand for money, using IS-LM curves show which policy will be effective in case of widespread unemployment.

(c) Using IS-LM analysis discuss the policy mix required to reduce the interest rate keeping output unchanged.

(d) What do the points off IS curve imply?

(e) Logically explain why an increase in G raises output by a smaller quantity in IS-LM than is SKM.

(f) What would be the slope of the AD curve if investment is completely interest inelastic?

(g) What is the main difference in conclusion between the Classical Model and Keynesian Model?

(h) Give any two proportions which are "defining characteristics of monetarist position".

(i) Explain the different measures of money supply.

(j) Mention and define any two instruments of monetary policy.

(k) What is mark up inflation?

(l) How does the view of low expectations are formed differ between the theories of Rational Expectations Hypothesis and Adaptive Expectations Hypothesis?

(m) Explain the economic significance of each of the terms in SRPC (Short-run Phillips Curve).

(n) Do you think Phillips Curve will hold under Rational Expectations?

(o) What are the two requirements of painless disinflation according to advocates of Rational Expectations?

Group – B

2. Answer ***any three*** questions : 5×3

(a) Suppose that $C = 400 + 0.75Y_d$, $I = 400 - 20r$, $G = 300$, $T = 400$, $M^d/P = 0.25Y - 10r$, $M = 1000$ $P = 2$. Calculate the equilibrium values of Y and r.

(b) Using IS-LM model, analyse impact on income and rate of interest on the disturbances listed below :

(i) Society's thriftiness to save more

(ii) An autonomous increase in liquidity preference.

(c) What will happen to AD curve if a cut back in government spending G is accompanied by

(i) a fall

(ii) a rise in money supply

(d) Derive the money multiplier.

(e) Describe the nature of market imperfection in sticky wage model. How does this model explain the upward slope of the Aggregate supply curve?

Group – C

Answer ***any three*** questions.

3. Explain whether monetary policy or fiscal policy is effective when

(a) Money demand is completely interest inelastic

(b) Investment is completely interest inelastic. 5+5

4. Consider introducing speculative demand for money in an otherwise classical model. Give the equational structure of the hybrid model. Do you think addition of speculative demand to the classical model alters the basic conclusions of the model? 5+5

5. Explain any two causes that lead to unemployment equilibrium in the complete Keynesion model. 10

6. Argue why supply of money is not a completely esogenous variable but is partly endogenous. Explain how this will affect the slope of the LM curve. 7+3

7. (a) Explain the balance sheet view of money supply and high powered money.

(b) Explain the difference between Budget Deficit and Deficit Financing and relate Deficit Financing with money multiplier. 4+6