

**2020**

**MACROECONOMICS — HONOURS**

**Paper : DSE-5.1A**

**Full Marks : 40**

*The figures in the margin indicate full marks.*

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

Answer **any four** questions.

1. (a) Distinguish between open economy and closed economy.  
(b) What do you mean by GDP deflator?  
(c) From the following data, calculate GNP at factor cost :

(i) GDP at market price :	5,000	
(ii) Net factor income from abroad :	– 100	
(iii) Indirect taxes	150	
(iv) Subsidy	50	
(v) Gross Domestic capital formation	300	
(vi) Net Domestic capital formation	200	3+2+5
  
  2. (a) Categories the following into stocks and flows (with brief justification) :  
(i) Losses, (ii) Wealth.  
(b) Explain the expenditure method of calculating GDP. 2+8
  
  3. (a) What do you mean by ‘consumption function’? Define APC and MPC.  
(b) Diagrammatically represent a Keynesian linear consumption function and show how it is affected when MPC changes. (2+2)+(3+3)
  
  4. Derive the LM curve graphically. How will this curve be affected when the money supply increases? 8+2
  
  5. In the IS-LM framework, examine the impact of an expansionary monetary policy. Will the effectiveness remain the same in the liquidity trap zone? Justify. 7+3
  
  6. Distinguish between demand-pull and cost-push inflation. Briefly explain the theory of cost-push inflation. 4+6
  
  7. How can you determine the equilibrium income in a closed economy in the presence of government participation (consider a simple Keynesian model). Examine the stability of that equilibrium. 7+3
  
  8. Explain the concept of High-Powered money. Derive the money multiplier in this context. 3+7
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