2022

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) Distinguish between nominal GDP and real GDP.

   (b) Which contributes more to GDP— the production of an economy car or the production of a luxury car? Why?

   (c) For an economy where GNP exceeds GDP, we observe that the residents of that country are earning less abroad than the foreigners are earning in that country. Is the statement true or false? Give reasons.

   (d) Explain the condition for stability of equilibrium in SKM is a two-sector economy.

   (e) Why does an exogenous increase in autonomous expenditure by a given amount raises equilibrium output by a larger amount?

   (f) Find out the equilibrium level Y if $C = 100 + 0.8(Y - T)$, $I = 20$ and $G = T = 10$.

   (g) What is the value of the multiplier if mpc is high? Why?

   (h) What is classical dichotomy?

   (i) What is speculative demand for money?

   (j) Explain marginal efficiency of capital.

   (k) Explain the relation between market value of a consol, its coupon rate and long-run market rate of interest.

   (l) State whether the following are included in National Income accounting. Give reasons.

      (i) Transport expenses incurred by a firm.

      (ii) Rent free house to an employee by an employer.

   (m) State whether the following statements are true or false. Give reasons.

      (i) For a country where GNP exceeds GDP, we find that the residents of that country are earning less abroad than the foreigners are earning in that country.

      (ii) In computing GDP by the value Added Method, firms producing intermediate goods should be disregarded.

   (n) Mention two basic assumptions of the Simple Keynesian Model.

   (o) Distinguish between MEC and MEI.

Please Turn Over

Section - B

2. Answer *any three* questions :

   (a) Consider a hypothetical economy. All values are in ₹ Crores GDP = 7000. Gross Investment = 800, Net Investment = 550.

   Consumption = 4500, Government purchase of goods = 1100, Budget surplus = 30

   Calculate (i) NDP (ii) net exports (iii) government taxes minus transfer (iv) disposable income (v) personal saving. 5

   (b) Consider two situations in the context of SKM for a closed economy. In one situation, investment is autonomous and in the other it is an increasing function of Y. Suppose the government wants to increase Y by a given amount. In order to achieve this, the government lowers tax collection $(\overline{T})$.

   Explain in which situation will it have to lower $\overline{T}$ by a larger quantity. 5

   (c) Explain why Say's law and Quantity Theory of Money are consistent. 5

   (d) What is the accelerator principle of investment? 5

   (e) (i) Suppose there are three firms in an economy : A, B, C. The value of A's sales is ₹ 100 of which ₹ 40 comes from B and ₹ 60 comes from C. Value of B's sales is ₹ 350 which consists of ₹ 200 from sales to C and ₹ 150 to final consumers. C sells to final consumer for ₹ 500. Show the equivalence of the value added and value of final output in this economy.

   (ii) Show that if S = I, then budgetary deficit will be reflected in an equal external deficit. 3+2

Section - C

Answer *any three* questions.

3. (a) State whether the following statements are True or False. Give reasons.

   (i) An increase in interest payment by the government means an increase in aggregate national saving.

   (ii) In the identity C+I+G+(X – M) = GDP, M does not include imported intermediate inputs.

   (b) Is GDP a good measure of economic well-being? Explain. (2+2)+6

4. (a) Discuss the impact of government purchase on budget surplus.

   (b) Explain paradox of thrift. 5+5

5. Explain loanable funds theory and explain its significance in the context of classical model. 10

6. Discuss the neo-classical model of investment. 10

7. How are employment, output, real wage, price level and money wage determined in the classical model? 10