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