2023

MACROECONOMICS — HONOURS

Paper : DSE-5.1 AH

(Module - I)

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.

Group - A

1. Which of the following are stocks or flow variables? 2

(a) Investment, (b) A hundred rupee note, (c) A family's consumption of sugar, (d) Profit and losses of a company.

Or,

State any two differences between economic growth and economic development. 2

Group - B

2. (a) How NNP at market price can be derived from GDP at factor cost?

(b) Calculate Gross National Product at factor cost from the following data : 2+4

Particulars	₹ Crore
Net Domestic Product at market price	17,000
Net factor income from abroad	– 600
Cost of consumption of fixed capital	1,000
Subsidies	500
Indirect taxes	2,000

Or,

Explain clearly the expenditure method of calculating national income. Mention any two precautions which are required to be taken while calculating national income by this method. 4+2

3. What is meant by supply of money? In this respect distinguish between narrow money and broad money. What do you mean by money multiplier? 2+2+2

Please Turn Over

4. Discuss the role of the policy of bank rate and open market operation in controlling inflation. 6

Or,

How do you define inflation? Explain briefly the theory of demand pull inflation. 2+4

Group - C

5. (a) Consider the linear type of Keynesian consumption function and derive the value of APC and MPC. Show that for every value of income APC is greater than MPC. What will be the relation between APC and MPC if there is no autonomous consumption?

(b) Derive the shape of the saving function from the Keynesian consumption function. Under what assumption will the consumption curve be parallel to saving curve? (2+2+2)+(2+2)

Or,

(a) Consider a closed economy with a Government sector. Suppose that Government expenditure and investment expenditure are autonomously given while consumption expenditure depends on disposable income. Further suppose that Government plans to increase its tax-revenue by increasing the amount of tax (the tax being a lumpsum tax). Explain the effect of the increase in tax amount on the equilibrium level of income.

(b) Explain briefly the concept of Balanced-Budget multiplier and show that it is equal to unity under Simple Keynesian model. 4+6

6. (a) Derive the curve that represents equilibrium in the commodity market.

(b) Draw the shape of this curve and indicate its slope when

(i) investment is perfectly interest elastic.

(ii) investment is perfectly interest inelastic. 6+2+2
