ECONOMICS

(1st Semester)

Course No. : ECOCC–102

(Macroeconomic Analysis—I)

Full Marks : 70

Pass Marks : 28

Time : 3 hours

The figures in the margin indicate full marks for the questions

Answer **five** questions, taking **one** from each Unit

UNIT—I

1. Compare and contrast between principal theories and viewpoints of Classical economists and Keynesian economists in the working of a macroeconomy. 14

2. What is effective demand? What role does it play in the determination of income and employment? Elaborate. 3+11=14

UNIT—II

3. What is IS? What is LM? What is AD? What is AS? Derive all diagrammatically and show the relations diagrammatically. 3+3+3+3+2=14

4. What is macroeconomic equilibrium? What are its features? Show the equilibrium diagrammatically with the help of AD and AS curves. 14

UNIT—III

5. Contrast between short-run and long-run consumption function. What are its implications? Discuss. 14

6. State the principal features of the relative income hypothesis and absolute income hypothesis. 14

UNIT—IV

7. *(a)* Distinguish between MEC and MEI. 4

   (b) Explain the process of capital accumulation when there is a fall in rate of interest and a shift in MEC schedule. 5+5=10

8. *(a)* Suppose the price of a machine is ₹ 10,000. The machine is expected to yield returns each year for different levels of its stock as shown below :

No. of machines   *Expected returns* (per year)

No. of machines	Expected returns (per year)
0	0
1	10000
2	16000
3	20000
4	23500
5	25700

The real interest rate and depreciation rate are given as 10% and 30% per year respectively. How many machines a firm should use? 4

(b) How is desired capital stock affected by a fall in real interest rate and technological advancement? Explain with suitable diagrams. 5+5=10

UNIT—V

9. *(a)* Suppose an individual has income ₹ 10,000 in the form of bonds. The rate of interest and brokerage fee are given as 15% and ₹ 50 respectively. Calculate his transaction demand for money. If his income rises to ₹ 20,000, will it affect his transaction demand for money proportionately? 3+2=5

(b) Discuss Baumol's inventory theoretic approach to demand for money. 9

10. *(a)* How do rates of returns on alternative forms of assets affect demand for money? 2

(b) Discuss Friedman's restatement of the quantity theory of money. 12

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