UG 3rd Semester Examination 2021
Economics (Honours)
Paper: DC - 6

(Intermediate Macroeconomics-I)

[CBCS]

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

Full Marks: 32   **Time: Two Hours**

Answer any four questions: $2 \times 4 = 8$

1. Define the concept of investment multiplier.

2. How does the shape of the *IS* curve depend on the elasticity of the investment demand curve?

3. What is liquidity trap?

4. Define natural rate of unemployment.

5. What do you mean by fixed exchange rate?

6. Under which circumstances is the fiscal policy ineffective in a small open economy?

Group- B

Answer any four questions: 4× 4 = 16

7. Explain the effect of a fall in marginal propensity to consume on the equilibrium level of income with the help of the IS-LM framework.

8. Discuss the economic logic behind the shape of the aggregate supply curve in the Keynesian model.

9. Why is the value of the balance budget multiplier less than one in the IS-LM model?

10. Explain the impact of an increase in government expenditure on the level of income in a small open economy under a flexible exchange rate system.

11. Do you think a policy of wage cuts is effective to reduce unemployment?

12. Discuss the relationship between the shape of the aggregate demand curve and the rate of interest.

13. Explain the concept of 'Rational Expectation'.

14. Define inflationary gap.

Group- C

Answer any one question: $8 \times 1 = 8$

15. Show that in the Simple Keynesian Model, stable equilibrium will be obtained only when MPC<1? 8

16. Explain why the long-run Phillips curve is vertical. 8