

B.A. (Honours) Examination, 2018
Semester-II (CBCS)
Economics
Paper-CC-3 (Core)
(Introductory Macroeconomics)

Time: Three Hours

Full Marks: 60

Questions are of value as indicated in the margin
 Answer **any four** from the following

1. (a) How do you derive the basic GNP (or GDP) identity using expenditure method for an open economy?
- (b) What do you mean by “double counting”. How do you avoid double counting to estimate rational output? Explain with an appropriate example.
- (c) (i) What do you mean by GDP deflator? From the following table calculate the GDP deflator.

	Current Quantities	Current Year Prices (2003)	Base Year Prices
Apple	8	6	4
Orange	4	3	7
Pen	10	2	5

- (ii) Why is GDP deflator useful? 5+4+6
2. (a) Draw a circular flow of income in an economy with government and explain it in detail. 8+7
- (b) Show by a two way Leontief Classification that the value of final goods and services is identical equal to total factor payments plus depreciation. 8+7
3. (a) Analyse the notion of saving investment identity. If planned investment is greater than planned savings how does the economy adjust? 10+5
- (b) Obtain the equilibrium value of Y and S for $C=25+0.7Y$, $I=5+0.2Y$ if there is no government. Show that the equilibrium S falls if autonomous C falls to 20. 10+5
4. Define and discuss Say’s Law of markets. How can it change in a money using economy? How is it affected in a capitalistic economy? 5+5+5
5. (a) Suppose $C = 10 + \frac{3}{4} Y_d$, $t = 10\%$, $I_0 = G_0 = 10$ (Symbols have their usual meanings). Calculate the impact on equilibrium income / output if (i) the tax rate is raised to 20% and (ii) autonomous C falls to 5. 10+5
- (b) Examine how fiscal policy affects budget deficits. 10+5
6. Derive the aggregate Supply Curve in a Classical model economy. In this context discuss the impact of an expansion of money supply. 10+5
7. (a) Explain the four measures of money supply.
 M_1, M_2, M_3, M_4
- (b) What are the determinants of money demand?
- (c) Explain the process of Credit Creation by the Commercial banks. 4+4+7
8. (a) Discuss the Fisherian version of Quantity theory of money.
- (b) How is Cambridge Version of QTM different from the Fisherian Version? 7½+7½

7½+7½