

2019
ECONOMICS — HONOURS

Paper : CC-6

Full Marks : 65

The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words
as far as practicable.

SECTION-A

1. Answer *any ten* questions :

- (a) The consumption function is given by $C = 200 + 0.75(Y-T)$ and investment function is $I = 200 - 25r$. Government purchases and taxes are both 100. For this economy derive the IS curve. 2
- (b) Using IS-LM diagram, show the impact on output of a contraction in money supply. 2
- (c) Explain the 'Crowding Out' effect. 2
- (d) What does AD curve show? Why is it negatively sloped? 1+1
- (e) Suppose monetary base is ₹ 20,000, reserve deposit ratio is 0.1, currency deposit ratio is 0.4. Find the total money supply in the economy. 2
- (f) Define CRR and SLR. 2
- (g) What is sacrifice ratio? 2
- (h) What do you mean by mark up inflation? 2
- (i) Indicate any two differences between the classical and Keynesian theory. 2
- (j) Explain the sticky price model of aggregate supply. 2
- (k) If the speculative demand for money depends only upon the level of income, what is the shape of the LM curve? 2
- (l) In the Complete Keynesian Model, state the shape of the Aggregate Supply curve mentioning the factors that influence supply. 2
- (m) Why Friedman's money demand theory is the restatement of the Cambridge equation? 2
- (n) What are the different components of M_3 and M_4 ? 2
- (o) Write down the forms of Deposit Multiplier and Currency Multiplier. Can you derive any other multiplier from these two? 1+1

Please Turn Over

SECTION-B

2. Answer *any three* questions :

5×3

- (a) What are the basic tenets of Monetarism?
- (b) In the IS-LM model, show the impact of fiscal and monetary policies in the liquidity trap.
- (c) How does an increase in government consumption financed by taxation affect the endogenous variables in the Complete Keynesian Model?
- (d) Examine the connection between budget deficit, deficit financing and money supply with reference to Indian economy.
- (e) Derive the Phillips Curve from the Aggregate Supply Curve.

SECTION-C

3. Answer *any three* questions :

- (a) "Mere addition of the consumption function by itself to an otherwise classical model really modifies the nature and conclusions of the model very little." — Discuss the statement fully. 10
 - (b) Examine the Friedmanite argument that while the short-run Phillips curve may be downward sloping, it is vertical in the long-run. 10
 - (c) Does government expenditure financed by deficit spending necessarily crowd out private investment in the IS-LM model? Answer on the basis of different shapes of IS and LM curves. 10
 - (d) (i) What is involuntary unemployment?
(ii) Discuss the causes of Keynesian unemployment equilibrium.
(iii) How does Prof. A. C. Pigou challenge Keynesian unemployment equilibrium by Real Balance Effect? 1+5+4
 - (e) Explain the Balance Sheets of the banking system as a whole, RBI and Commercial Bank and show the determinants of money supply. 3+3+3+1
-