

KRISHNA KANTA HANDIQUI STATE OPEN UNIVERSITY

MA 1st Semester Examination, 2015

Subject-Economics

MEC/MAEC 02-Macroeconomics-I

Time: 3 hours

Maximum marks: 80

The figures in the margin indicate full marks for the questions

- 1 *Answer any five questions from the following* 2×5=10
(Answer in around 50 words)
- a Define National Product.
 - b What is Aggregate Supply?
 - c State the Keynesian Psychological Law of Consumption.
 - d What is meant by Marginal Efficiency of Capital?
 - e When does the value of the Keynesian multiplier become equal to the value of the super multiplier?
 - f State the cash-transaction equation of exchange giving the meaning of the notations used.
 - g Describe 'Liquidity Trap'.
- 2 *Write any three short notes from the following* 4×3=12
(Answer in around 150 words)
- a Distinguish between personal income and disposable personal income.
 - b Explain the 'ratchet effect'.
 - c Establish that the Keynesian multiplier is inversely related to the marginal propensity to save.
 - d What do you understand by 'speculative demand for money'?
 - e What is an IS curve? Why does it slope downward?

- 3 *Answer any three questions from the following* 6×3=18
(Answer in around 250 words)
- a Describe the effects of withdrawal from and injection into the circular flow of income.
 - b State the principal objections of Keynes to the classical theory of income and employment.
 - c State and explain the assumptions of the simple acceleration principle.
 - d What do empirical studies suggest about the nature of consumption function?
 - e Discuss the importance of the concept of Gross National Product (GNP).
- 4 *Answer any four questions from the following* 10×4=40
(Answer in around 500 words)
- a What do you understand by social Accounting?
 - b Explain the two-sector model of national income determination in the Keynesian framework.
 - c Explain the Life-cycle Hypothesis with a suitable diagram.
 - d Explain diagrammatically the Keynesian multiplier. State two of its main limitations.
 - e Discuss the impact of inflation on an economy.
 - f Examine the effects of an expansionary fiscal policy along with an expansionary momentary policy on a closed economy using the IS-LM model.