

Total No. of printed pages = 4

2 PGDE ECON 1

2012

(Nov.-Dec.)

ECONOMICS

Paper : Eco-201

(Macroeconomic Theory)

Full Marks – 80

Time – Three hours

The figures in the margin indicate full marks for the questions.

1. (a) (i) Write a short note on the GDP and the GNP bringing out the difference between the two national income aggregates. Is GDP a perfect measure of economic activity? Discuss. 8+4=12

- (ii) 'By definition, the national income is equal to the national expenditure.' Explain for a two-sector economy. 4

Or

(b) (i) What is real GDP ? Discuss briefly how real GDP can be calculated. Also mention the difference between real GDP and nominal GDP. $2+5+3=10$

(ii) Explain briefly the relationship between national income and economic welfare. 6

2. (a) (i) Discuss the aggregate demand–aggregate supply approach to the determination of the equilibrium income and output in the Keynesian theory. 10

(ii) What is saving function ? If the consumption function is :

$C = 40 + 0.75 Y$, then what is the saving function ? $3+3=6$

Or

(b) What is multiplier ? Discuss the working of multiplier. Also briefly discuss the applicability of multiplier to the less developed countries. $2+8+6=16$

3. (a) (i) Discuss the IS-LM model for a two-sector economy. 12

- (ii) Suppose the investment, consumption, demand for money and supply of money functions are as follows :

$$C = 0.75 Y$$

$$I = 107.5 \text{ crore} - 0.25 r$$

$$m_d = 0.25 Y - 2.5 r$$

$$m_s = 80 \text{ crore}$$

Find the equilibrium income and the rate of interest. 4

Or

- (b) (i) Illustrate the statement that “Fiscal policy is most effective in the Keynesian range and ineffective in the classical range.” 10

- (ii) Explain the effect of change in fiscal policy in the IS curve with appropriate illustration. 6

4. (a) State and explain critically the relative income hypothesis. 16

Or

- (b) (i) Explain Duesenberry's concept of demonstration effect. 4

- (ii) State and explain critically the permanent income hypothesis. 12

5. (a) (i) What do you mean by macroeconomic policy ? Which are the two most popular macroeconomic policies ? What are the objectives of macroeconomic policies ? Does the objective of a healthy growth conflict with any of the other objectives ?

2+2+2+2=8

(ii) Explain the Friedman-Phelps views on the effectiveness of macroeconomic policies. 8

Or

(b) What do you mean by incomes policy ? Discuss the cases for and against incomes policy ? Do you support incomes policy for developing countries like India ? Make comments. 2+10+4=16