M 112/002

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MA Semester Examinations

Macroeconomics Analysis

Course Code: MEM23502T

Full Marks – 50   **Time – 2 hours**

The figure in the margin indicates full marks for the questions.

Q1. Choose the correct option: 10x1=10

i) Which one is a stock variable?
a) Bank deposit
b) Income
c) Output
d) Employment

ii) Keynes's Psychological Law of Consumption states that

a) The amount of aggregate consumption depends mainly on the amount of aggregate income.
b) The amount of aggregate consumption and saving depends mainly on the amount of aggregate income.
c) The amount of aggregate consumption depends mainly on the amount of aggregate expenditure.
d) Both b and c.

iii) According to Keynes, the level of employment in an economy depends on:

a) The marginal propensity to consume

b) The marginal propensity to save

c) The marginal efficiency of capital

d) The effective demand

iv)Which of the following is a component of effective demand?

a) Consumption expenditure

b) Investment expenditure

c) Government expenditure

d) All of the above

v) What is the relationship between MEC and the level of investment in an economy?

a) Positive

b) Negative

c) Zero

d) Indeterminate

vi) What is the equilibrium condition for investment in a Keynesian model?

a) MEC = MPC

b) MEC = MPS

 c) MEC = Marginal Cost

d) MEC = Rate of Interest

vii) What is inflation?

  a) Increase in the supply of money

  b) Increase in the general level of prices

  c) Decrease in the general level of prices

  d) Decrease in the supply of money

viii) Which of the following is a cause of demand-pull inflation?

  a) Increase in production

  b) Decrease in consumer spending

  c) Increase in government expenditure

  d) Decrease in money supply

ix) Which of the following is a tool of monetary policy?

  a) Government spending

  b) Taxation

  c) Open market operations

  d) Fiscal deficit

x) The primary deficit is calculated as the difference between:

  a) Total government revenue and total government spending

  b) Government spending on goods and services and government revenue

  c) Total government spending and interest payments on debt

  d) Fiscal deficit and interest payments on debt

Q2. Short questions: (Any 2 out of 4) (Max word limit 150)   **2x5=10**
i) Distinguish between MEC and MEI.

ii)Write about permanent income hypothesis in short.

iii) Differentiate between demand-pull and cost-push inflation.

iv) Explain how an expansionary monetary policy works to stimulate economic activity

3. Questions(Answer any 3 out of 5) (Max word limit 300)   **3x10=30**

i) What are the determinants of Consumption function? Discuss.   10

ii) Illustrate the relative income hypothesis. State the superiority of the relative income hypothesis over absolute income hypothesis.   6+4

iii) Compare and contrast Keynesian and classical theories of interest. Highlight the main factors that influence interest rates according to each theory and discuss the implications for monetary policy. 5+5

iv) Define inflation and Unemployment. Explain the Phillips Curve and its relationship to inflation and unemployment.   2+2+4

v) Highlight about the Autonomous theory of Investment. What is Tobin's Q? What is the practical implication of Tobin's Q Model.   5+3+2