

6. "Monetary policy accommodates fiscal expansion" and Monetary policy is totally ineffective in the Keynesian liquidity trap. Explain. (15)
7. Explain the concept of natural rate of unemployment. What are the implications of Milton Friedman's theory of the natural rate of unemployment for the effectiveness of economic stabilisation policies? (15)
8. Write short notes on **any three** (5*3=15)
- (a) Distinction between Macroeconomics and Microeconomics
- (b) Paradox of Thrift
- (c) Circular Flow of income in a three sector economy
- (d) Phillips curve

[This question paper contains 4 printed pages.]

Your Roll No.....

Sr. No. of Question Paper : 5136 H

Unique Paper Code : 2922101201

Name of the Paper : MACROECONOMICS - I

Name of the Course : **B. A. (Honours) Business Economics [NEP: UGCF-2022]**

Semester : II

Duration : 3 Hours

Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **Six** questions from all.
3. **Question number 1** is mandatory to attempt.
4. Attempt at least minimum **two** questions including mandatory question from **each** section.

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5. All questions carry equal marks.
6. Illustrate your answer with suitable diagrams, whenever required.

Section A

1. Consider the following statement, state whether true or false, give arguments in support of your answer (any three)
 - (i) GDP deflator is a useful measure of Inflation
 - (ii) A fiscal Expansion shifts the IS Curve to the left.
 - (iii) Full-employment means zero unemployment
 - (iv) Aggregate demand curve shift upwards parallel due to change in MPC (5*3=15)
2. Explain Investment Multiplier with the help of a diagram. Show how it is directly related to MPC and inversely related to MPS (10+5)

3. "An increase in quantity of money leads to a proportionate increase in the value of out-put and a proportionate decrease in the purchasing power of money" Critically examine the statement (15)
4. "Commercial Banks create credit whereas central bank controls credit" Explain (15)

Section B

5. In a three sector model suppose $C=400+0.8Y_d$, $I = 1400-100i$, $T_x=500$, $G=500$, $L=0.20Y-50i$ and $M=1000$
 - (a) Find the equation of IS Curve
 - (b) Find the Equation of LM Curve
 - (c) Find the simultaneous equilibrium for the IS -LM Curves, showing out-put, rate of interest, consumption and investment
 - (d) Comment on the crowding out effect consequent to increase in government spending from 500 to 800 (3+3+5+4)