7. How do the effects of policies differ under fixed exchange rates compared to floating exchange rates? Explain with the help of appropriate diagrams.

[This question paper contains 4 printed pages.]

Your Roll No..............

Sr. No. of Question Paper : 3538 **I**

Unique Paper Code : 2924001013

Name of the Paper : Economic Policy Framework GE

Name of the Course : **B.A. (H) Business Economics**

Semester : I

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 **all** parts of a particular question together.
3. **All** questions carry equal marks.
4. Illustrate your answer with diagram, wherever required.
5. Attempt **FIVE** questions in all. Question No. **1** is compulsory.

1. Write short notes on any **three** of the following :

   (i) Crowding out effect of Government spending

   (ii) Credit creation and credit multiplier

   (iii) Inflation targeting

   (iv) Non-Performing Assets (NPAs) in public sector banks (PSBs) in India.

2. A hypothetical economy is characterised by following functions of an IS Model :

   $$C= 120 + 0.10YD$$

   $$1 = 150 + 0.15Y$$

   $$G = 220$$

   $$T= 170$$

   - Determine equilibrium level of income, induced consumption and budget deficit in the economy.

   - What impact will a fiscal expansion have on the equilibrium values of income (Y), con-sumption (C), and investment (I) if government spending (G) increases from its original level of 220 to 350?

3. How does a combination of expansionary fiscal and monetary policies help counter recessionary conditions by raising aggregate demand and neutralising the crowding-out effect? Illustrate with relevant examples.

4. What is meant by the term 'circular flow of income'? Discuss the impact of leakages and injections in an open economy. What are the negative effects of an open economy on developing countries like India?

5. How does the value-added (or product) approach for calculating national income differ from the income approach? What are the key challenges that statisticians faces when using the value-added approach? Provide suitable examples.

6. What are the key instruments of monetary policy in an open economy for achieving desirable objectives? Do you think the challenges and effectiveness of monetary policy increase significantly in an open economy? Explain..