

BACHELOR OF ARTS EXAMINATION, 2025

ECONOMICS

1st Year; 2nd Semester

Subject Code : ARTS/ECON/UG/MDC/TH/12/102

MACROECONOMICS (IDC/MDC)

Time : Two Hours

Full Marks : 30

1. Answer *any two* questions (CO1) : 2 × 2 = 4
 - (a) What is GDP deflator?
 - (b) What do you mean by Classical dichotomy?
 - (c) What is paradox of thrift?

2. Answer *any four* questions (CO2) : 3 × 4 = 12
 - (a) Distinguish between Gross Domestic Product (GDP) at market prices and GDP at factor cost.
 - (b) How can you deduce personal income from national income?
 - (c) Explain the circular flow of income.
 - (d) Explain national income determination in a two sector model.
 - (e) What is meant by balanced budget multiplier (BBM)? Do you think that the BBM is neutral in its effect on national income?
 - (f) What is meant by involuntary unemployment? Explain why full employment is not achievable because of wage rigidity.

3. Answer *any three* questions (CO3) : 3 × 3 = 9
 - (a) Distinguish between national income determination in three and four-sector economy models.
 - (b) Suppose the level of autonomous investment in an economy is Rs. 200 crores and consumption function of the economy is: $C = 80 + 0.75Y$. What will be the equilibrium level of income?
 - (c) What is the solution to the problem of double counting in national income accounting?

(d) How would you derive saving function from the Keynesian consumption function? Explain with diagram.

(e) What is investment multiplier? How is it related to MPC?

4. Answer *any five* questions (CO4) :

$1 \times 5 = 5$

(a) Why the GDP measure may be higher than the GNP measure in any country?

(b) State Say's law. If the consumption function is expressed as $C = a + bY$, then what does 'b' indicate?

(c) What will be the magnitude of investment multiplier, when $MPC = 0.80$?

(d) Write the relationship between APC and MPC in the short run and long run.

(e) Give one example of transfer income of the government of a country.
