

Paper: Macroeconomics

UPC: 61011304 (OC)

Bachelor of Management Studies

Semester- III

Max. Marks: 75

(Attempt any 4 questions. All questions carry equal marks.)

Q1. Compare the impact of rise in Government expenditure in Classical and Keynesian models. What is the reason that there is a difference in outcome in the two cases?

Q2. How is the Keynesian multiplier different in the case of an open and a closed economy? For a closed economy, if the marginal propensity to consume is 0.6 and the lumpsum tax increase by 50 units, what will the impact on output?

Q3. Derive the IS curve. Explain the factors affecting the slope and position of the IS curve. What is the effect of an increase in government expenditure on income and rate of interest?

Q4. Explain the three motives for holding money according to Keynes theory of money demand. Within the IS-LM model, show how income and interest rate are affected by each of the following: (a) an increase in government spending (b) autonomous decline in investment spending (c) an increase in taxes (d) an increase in money supply

Q5. Adoption of a system of flexible exchange rates would free monetary and fiscal policy for use in attaining domestic goals of full employment and price stability.” Do you agree or disagree with this statement? Explain by describing the outcomes for a flexible exchange rate regime under imperfect capital mobility.

Q6. Milton Friedman often said that the real trade-off was not between inflation and unemployment but between unemployment today and unemployment in the future. What do you think he meant by this statement? Explain by contrasting between long and short run trade-offs of inflation and unemployment.