**Question Bank**

**Course Name : ECH(GE)**

**Paper Name : Introductory Macro Economics**

**Semester : 4th**

1. Explain the basic issues related with the macroeconomics? Explain any three issues.
2. Define Private savings? How are they used in the economy?
3. Explain the components of current account of balance of payment
4. Differentiate between intermediate and final goods. Under which category are capital goods included.
5. Derive an algebraic expression for the demand for Central Bank money in terms of the parameters c(ratio of currency to money demand) and θ (reserve deposit ratio). Graphically illustrate the equilibrium in the market for Central Bank money. How would the equilibrium interest change if the demand for central bank increases.
6. Derive graphically the IS schedule. Show how an increase in government expenditure will lead to a shift in IS schedule.
7. In the context of fiscal policy what is crowding out? How does the liquidity trap affect crowding out?
8. What are Official reserve Transactions in the Balance of Payments of a country.
9. Using the quantity theory of money and the Fisher equation, explain in detail how the rate of growth in money affects the nominal interest rate.
10. The following data is given for two years output and prices for an economy

Calculate the Nominal GDP, Real GDP and GDP Deflator taking 2011 as base year

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2011** | | **2012** | |
| Commodities | Price | Output | Price | Output |
| A | 10 | 60 | 16 | 100 |
| B | 6 | 80 | 12 | 140 |

1. In the classical model an increase in the money supply leads to an increase in real output and price level. Comment
2. Write notes on
3. Hyperinflation
4. Seignorage
5. Interest rate and bond prices
6. What are the social costs of a steady and predictable inflation? Compare it with the unexpected inflation
7. What is Real interest rate? Given Nominal interest rate of 10%, calculate expected real interest rate when the expected inflation is 4% and 5%.
8. Show diagrammatically, what happens to the equilibrium rate of interest in the following situations.

a) Decrease in nominal income

b) Decrease in Money supply

1. For a simple model of the expenditure sector with Government and Income taxes, derive the expenditure multiplier and explain how it changes as the marginal propensity to save increases.
2. How is the effect of monetary policy different from the effect of a fiscal policy as a tool of stabilization? Explain using suitable diagram.