No. of questions: 09

Time: 03 Hours

01. Describe what are the key macroeconomics objective in an economy and explain what are the possible conflicts that arise between some macroeconomic objectives.

02. (a) 'Cost - push shocks are the primary cause of inflation.' Comment critically on this statement.

(b) How are unemployment and inflation related to one another in the short-run and the long-run?

03. Explain what is meant by an 'inflationary gap' and explain how and why government and central bank may seek to reduce such gaps.

04. The following table summarizes some macroeconomic data of a hypothetical economy (all figures are in Rs. Millions)

<table>
<thead>
<tr>
<th>Y</th>
<th>C</th>
<th>r%</th>
<th>I</th>
<th>L₁</th>
<th>L₂</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1800</td>
<td>10</td>
<td>500</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>3000</td>
<td>2600</td>
<td>12</td>
<td>400</td>
<td>800</td>
<td>400</td>
</tr>
</tbody>
</table>

And Ms =1000

Using the data given above

(a) Find the equilibrium level of national income

(b) Determine the equilibrium rate of interest.

(c) What is meant by 'Balanced Budget Multiplier'
05. (a) Define the term “monetary policy” and describe traditional tools of monetary policy.
(b) Why does monetary policy fail to moderate aggregate supply shocks?
(c) What is meant by ‘Fiscal policy’?

06. Explain how international trade can be beneficial to national economic development and comment upon the main difficulties and problems that can be experienced in this context.

07. (a) Define economic growth and explain how economic growth is measured?
(b) Briefly explain why economists are interested in measuring economic growth
(c) Describe what are the determinants of economic growth?
(d) Explain advantages and disadvantages associated with faster economic growth?

08. (a) Discuss the relationship between the budget deficit and government debt.
(b) Explain why government debt is rising explosively in some countries.

09. Write notes on four of the followings

(a) Marginal propensity to consume
(b) Liquidity Trap
(c) Aggregate Demand
(d) Marginal efficiency of capital
(e) Demand – pull inflation
(f) Structural unemployment

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