

JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY

WAKNAGHAT, SOLAN

Test -3 Examination – PhD – HSS

Course Code: 13P1WHS135

Max Time: 2 Hrs

Course Name: Macroeconomics

Course Credit: 3

Max Marks: 35

Note: Answer all questions. All questions carry equal marks.

1. Use the Keynesian cross to explain why fiscal policy has a multiplied effect on national income.
2. The following equations describe an economy:
 $Y = C + I + G$; $C = 50 + 0.75 (Y - T)$; $I = 150 - 10r$
 $(M/P)^d = Y - 50r$; $G = 250$; $T = 200$; $M = 3000$; $P = 4$
 - a) Identify each of the variables and briefly explain their meaning.
 - b) From the above list, use the relevant set of equations to derive the IS curve. Graph the IS curve on an appropriately labeled graph.
 - c) From the above list, use the relevant set of equations to derive the LM curve. Graph the LM curve on the same graph you used in part (b).
 - d) What are the equilibrium level of income and the equilibrium interest rate?
3. What is the impact of an increase in taxes on the interest rate, income, consumption, and investment?
4. Use the IS–LM diagram to describe both the short-run effects and the long-run effects of the following changes on national income, the interest rate, the price level, consumption, investment, and real money balances.
 - a) An increase in the money supply
 - b) An increase in government purchases
 - c) An increase in taxes
5. According to growth accounting approach, what are the three sources of economic growth? From what basic economic relationship is the growth accounting approach derived?