

End Semester Examinations - 2015-16 Even Semester - May 2016

14MS3007 Macroeconomics

Set A

Time : 3 hrs
Total Marks: 100

1. What are the major objectives of macroeconomics? Write a short note on these objectives?
OR
2. What would be the effect of each of the following on aggregate demand or on aggregate supply, as indicated (always holding other things constant)?
 - a. A large cut in personal and business taxes (AD). (5 marks)
 - b. An arms-reduction agreement reducing defense spending (on AD). (5 marks)
 - c. An increase in potential output (on AS). (5 marks)
 - d. A monetary loosening that lowers interest rates (on AD). (5 marks)
3. Explain the relevance of GNP and GDP. What are the different measures of NI of Indian Economy?
OR
4. How does fiscal and monetary policy affect the level of national income in the circular flow of income model?
5. What are the defining characteristics of 'Business Cycle'?
6. Explain the role of RBI during 'Economic Depression'.
7. Describe the role of fiscal policy in achieving economic growth and in stabilizing the economy.
OR
8. What do you mean by balance of payments?. How important to measure the balance of payment position in India.
9. **Case Study**

Government Intervention

In Germany, in 2009, there was considerable debate about the extent to which the Government should be intervening in the economy. For example, its citizens were worried about the future of Opel, a German car brand that was part of the ailing General Motors. Some wanted the government to make sure jobs were saved no matter what. Others, however, were more hesitant and worried about becoming the government becoming too interventionist. Traditionally, since the Second World War, the German government has seen itself as a referee in market issues and has avoided trying to control parts of the economy. It would regulate anti-competitive behaviour, for example, but not try to run many industries. However, in the recession of 2009 when the economy was shrinking, the government was forced to spend more to stimulate demand and had to intervene heavily to save the banking sector from collapse. The government also had to offer aid to businesses to keep them alive.

Questions:

Based on the case, examine what are the possible benefits of a Government intervening in an economy? And also list out various arguments against government intervention in the Indian economy.

Wishing you All the Best