

RAMAKRISHNA MISSION VIDYAMANDIRA

(Residential Autonomous College affiliated to University of Calcutta)

B.A./B.Sc. FIRST SEMESTER EXAMINATION, MARCH 2022

FIRST YEAR [BATCH 2021-24]

ECONOMICS (HONOURS)

PAPER : II [CC2]

Date : 10/03/2022

Time : 11 am – 1 pm

Full Marks : 50

Answer **any three** questions of the following:

[3×4]

1. Suppose in 2021 Ratan, a taxi fleet owner earned Rs. 10 lakh as passenger fare. Of the money earned he spent Rs. 2 lakh for the payment to employees, Rs. 1 lakh for repair and maintenance, Rs. 1 lakh for rent in garage space and Rs. 5 lakh on fuel. How much is Ratan's contribution on GDP?
2. Manik, a carpenter spent 10 hours in making doors and windows for his own house. His hourly wage is Rs. 40. How much did he contribute in GDP?
3. Suppose the demand and supply curves of labour are $L^d = 400 - w$ and $L^s = 250 - 25w$, where w represents the real wage rate. Find the equilibrium wage rate. How much will be the level of involuntary unemployment if government sets the minimum real wage rate at Rs. 5?
4. Consider a simple Keynesian model with $C = 10 - .75(Y - T)$; $T = 10 - .25Y$ and $I = 100$. Draw the planned expenditure function and find the equilibrium level of income.
5. An economy is characterized by the following functions:

$$C = 50 + .8Y; I = 200 - .2r \text{ and } G = 500.$$

Find the equation of the IS curve and its slope.

6. Consider the sticky wage model. The workers set their targeted real wage at Rs. 5. What will the actual real wage equation look like? If the labour demand curve is $L = 50 - 2\left(\frac{w}{p}\right)$ and the production function is $Y=L$, find the equation of the Aggregate Supply curve.

Answer **any one** question of the following:

[1×8]

7. What will happen to GDP in the following situations:
 - a) Your father gives you Rs. 1500 as pocket money while leaving you in the hostel.
 - b) A catering service owner purchases utensils worth Rs. 5000 from the market.
 - c) Mr Khan, the famous actor, purchases two cars. A new car worth Rs. 25 lakhs and a vintage car worth Rs. 50 lakhs.
 - d) Arcelor Mittal's Luxembourg unit earns a profit of \$5000 unit in 2001 and the exchange rate is Rs. 70 per dollar. (2+2+2+2)
8. Suppose as a policy maker you have two alternatives- increase in government expenditure and increase in money supply. Which of them will you prefer when
 - i) Investment is infinitely interest elastic
 - ii) Interest sensitivity of money demand is zero
 - iii) Interest sensitivity to investment is zero
 - iv) Money demand is infinitely interest elastic (2+2+2+2)

Answer **any two** questions of the following:

[2×15]

9. a) Describe the process of obtaining natural rate of unemployment, given the rates of job finding and job separation. What happens to the natural rate of unemployment if the rate of job finding increases?
- b) Discuss any two reasons underlying wage rigidity. [(5+5)+5]
10. Describe the process of derivation of the aggregate Demand curve from the IS-LM analysis. Find the equation of the Aggregate Demand curve. What will be the shape of the Aggregate Demand curve if the IS curve is Vertical? Explain. [(6+4)+5]
11. Describe the rationale behind the wage setting and the price setting equations. Given the wage setting and price setting equations find the natural rate of unemployment under perfect foresight. What happens to the natural rate if there is strengthening of the antitrust legislation? (5+5+5)
12. a) How can we determine personal income from national income?
- b) Distinguish between nominal and real GNP. What is the concept of GDP deflator? Explain in brief.
- c) How does the concept of GNP deflator differ from that of consumer price index? [4+(4+3)+4]

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