

Indian Statistical Institute
B. Stat. Second Year: 2024-25
END-Semester Examination 2024-25
Subject: Macroeconomics

Date: 28/04/2025 Maximum Marks: 50

Time: 3 hours

Answer any FOUR questions

[Each question carries 13 marks, but you cannot score more than 50 marks]

1. Suppose government purchase goes up by ΔG . What will be its effect on equilibrium income in IS-LM model? Hence derive the expression of the government purchase multiplier. What factors will determine the extent of the change of income? Explain.
2. How do you derive the aggregate output demand function from the IS-LM model? Show and explain the nature of the curve. If money supply goes up, how does this curve undergo a shift?
3. Explain why labor demand depends on real wage whereas labor supply depends on money wage. Show that downward inflexibility of money wage can explain the possibility of less than full-employment equilibrium.
4. Derive the aggregate output supply curve when labor supply depends on money wage and money wage is inflexible downward. Explain the nature of this supply curve.
5. Write the expression of trade balance of a country as function of domestic country income, foreign country income and real exchange rate. How do these variables affect export and import of the domestic country? If real exchange rate falls, what will be its effect on the trade balance?
6. "Countries with high saving-investment rates tend to be richer on average than countries with low saving-investment rates, and countries with high population growth rates tend to be poorer on average". Explain the proposition in the context of Solow growth model.
7. Write a note on the following [Any TWO]
 - (a) Real vs. nominal exchange rate;
 - (b) The Speculative demand for money;
 - (c) The Balanced budget multiplier in the IS-LM model;
 - (d) The Golden Rule of Accumulation in the Solow Growth Model.