

Date:

- g) Explain James Tobin's Portfolio approach to Demand for money.
12. a) What do you mean by Autonomous, Induced and Residential Investment?
- b) On which factors Marginal Efficiency of Capital depends?
- c) Distinguish between anticipated and unanticipated inventory investment. Why is there usually a mismatch between the field?
- d) What is residential investment? On what factors does the demand for housing depend?

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MACRO ECONOMICS

1. Explain the concept of Circular flow of Income and expenditure in a two/three sector economy.

What are the leakages and injections in Circular flow of Income.

2. What are the measures/methods for the measurement of National Income?

What type of precautions must be taken at the time of measurement of NI?

3. Explain the limitations of GDP as a measurement of social welfare.

Concept of: GDP, GNP, NNP, Transfer Income value added, Savings - Investment identity.

4. a) Explain the concept of Multiplier. Bring out various leakages of Multiplier.

b) Discuss the various factors affecting Consumption function.

c) In an economy with $MPS = 0.75$, what will be the increase in the level of income if investment increases by Rs 100 crores.

d) If $C = 50 + 0.75 Y_d$

i) Derive savings function.

ii) At what level of income savings becomes zero?

iii) If autonomous investment is Rs 200 Crores at what level of income savings will become equal to investment.

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5. Explain the concept of inflation. What are its causes? Distinguish between Demand pull Inflation and Cost push Inflation. What are the effects of inflation? What are the measures to control the inflation? What is inflationary gap?
6. a) What is Stagflation? How can it be explained using modern Philips Curve?
 b) Explain Philips Curve. Using Philips Curve analysis derive wage-employment relationship.
 c) Discuss the relationship between inflation and output in the short run and long run.
 d) Explain how Philips Curve relates unemployment and inflation in the economy?
7. a) Derive the short run Aggregate Demand Curve using income-expenditure approach - Explain.
 b) Why is the long run aggregate supply curve vertical?
 c) Explain the equality of aggregate demand and aggregate output in determining the equilibrium level of income.
 d) Distinguish between Keynesian and Classical Aggregate Supply Curves.
8. What are the types of unemployment? Explain the determinants of natural rate of unemployment. What policies can you suggest to reduce natural

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j) Given the following:

Consumption: $C = 200 + 0.75 Y_d$

Investment: $I = 200 - 25i$

Government exp: $G = 200$

Taxes: $T = 200$

Demand for money: $L = 0.5Y - 100i$

Nominal Money Supply: $M = 900$

Price level: $P = 2$

(i) Calculate equilibrium income and the rate of interest.

(ii) If G is increased to 250 and M is increased to 1100, what is the extent of shift in the IS and LM curves?

(iii) What are the new levels of equilibrium income and rate of interest?

11. a) Explain the Keynesian approach to demand for money.

b) Explain the objectives of monetary policy.

c) " " " " " Fiscal " "

d) Explain the Baumol-Tobin transactions demand for money.

e) Explain the effectiveness of monetary policy and fiscal policy in the following cases:

i) The liquidity trap

ii) The classical case

* Show that the demand of money as a medium of exchange depends on the level of income and the rate of interest as per Baumol-Tobin Model of Cash management.