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- (c) Neutrality of Money in Classical system
- (d) Assumptions of Classical model
- (e) Speculative demand for money (5×3)

[This question paper contains 4 printed pages.]

Your Roll No.....

Sr. No. of Question Paper : 7536

Unique Paper Code : 61011304

Name of the Paper : Macroeconomics

Name of the Course : **Bachelor of Management Studies (BMS), 2023 (LOCF)**

Semester : III

Duration : 3 Hours

Maximum Marks : 75

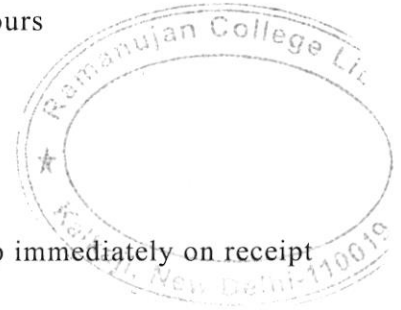
Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Answer **all** questions
3. **All** questions carry equal marks.

Answer **any three** of the following

1. (a) What is the shape of LM curve if demand for money does not depend on interest rate?

(200)



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- (b) Suppose government spending increases by 10 units and this increase is financed by a 10 unit increase in taxes. What will happen to equilibrium income as a result of these two policy actions if $MPC=0.5$
- (c) Why is BOP account always in balance?
- (d) Why does Liquidity trap set in, in depression prone economies ?
- (e) What were three main effects of Pandemic Covid-19 on India? (5×3=15)
2. (a) Derive IS curve and explain the points that lie above and below it. What leads to change in the position of the IS curve? (8)
- (b) Expansionary Monetary Policy of the government has a smaller impact on output when the interest elasticity of money demand is high. Explain Using IS- LM curves. (7)

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3. (a) How can a positive productivity shock impact the economic system working on the lines of Classical economics? Explain (8)
- (b) Under perfect capital mobility monetary policy is a more powerful instrument of growth in a flexible exchange rate system than in a fixed exchange rate system. Discuss with diagrams. (7)
4. (a) "There is no trade-off between unemployment and inflation in the long run. "Discuss. (8)
- (b) Explain the concept of the natural rate of unemployment? What are the implications of Milton Friedman's theory of the natural rate of unemployment for the effectiveness of economic stabilization policies? (7)
5. Write short notes on **any three** of the following:
- (a) Properties of BP curve
- (b) Advantages of flexible exchange rates