

4/ECO-253 Syllabus-2023

2026

(May-June)

FYUP : 4th Semester Examination

ECONOMICS

(Macroeconomics—II)

(ECO-253)

Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions.

Answer **five** questions, taking at least **one** from each Unit.

UNIT—I

1. What are the three motives for holding money as proposed by J. M. Keynes? Discuss the derivation of the total demand for money function in the light of these motives. 6+9=15
2. Critically examine Milton Friedman's Theory of Demand for Money. 15
3. Define High-Powered Money. Discuss its role as the ultimate determinant of the supply of money. 6+9=15

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UNIT—II

4. Explain Milton Friedman's Permanent Income Hypothesis. Why does the average propensity to consume remain constant in the long run? 10+5=15
5. Discuss the Marginal Efficiency of Capital (MEC) as a determinant of the decision to invest. Explain how a firm decides on its optimal level of investment. 7+8=15
6. Using the acceleration principle, explain why small fluctuations in consumer demand lead to large fluctuations in investment. 15

UNIT—III

7. Explain the derivation of the IS curve. How does the elasticity of the IS curve depend on investment and the multiplier? 8+7=15
8. Using the IS-LM framework, analyze the effect of an expansionary fiscal policy on income and interest rate. 15
9. How is the Aggregate Demand (AD) curve derived from the IS-LM model? Why is it downward sloping? 10+5=15

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UNIT—IV

10. Discuss the conflict between the mentioned goals : $7\frac{1}{2}+7\frac{1}{2}=15$
 - (a) Price stability and economic growth
 - (b) Price stability and full employment
11. What is the role of fiscal policy? Examine the primary instruments of fiscal policy used by the government to stabilize the economy. 3+12=15
12. Explain the quantitative tools deployed by a central bank to combat inflation which is the most effective for a developing country like India. Give reasons. 10+5=15

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