

2015

ECONOMICS

Paper : 2.2

(Macroeconomic Theory)

Full Marks : 80

Time : 3 hours

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

1. Answer the following questions (within 50 words each) : 2×4=8
 - (a) What is Phillips curve?
 - (b) What is meant by 'business cycle'?
 - (c) Define transactions demand for money. State the difference between Keynes' view and Baumol's view on interest elasticity of transactions demand for money.
 - (d) Define balance of payments.

2. Answer any *three* of the following questions
(within 300 words each) : $8 \times 3 = 24$

- (a) How is the rate of interest determined in the classical theory? Explain.
- (b) What is the monetarist approach to inflation? Discuss.
- (c) What does the current account of the balance of payments measure? Discuss the constituents of the current account of the balance of payments.
- (d) What are the key determinants of the demand for money in the Friedman's theory of demand for money? Explain.
- (e) Discuss adaptive expectations model of inflation.

3. Answer any *three* of the following questions
(within 750 words each) : $16 \times 3 = 48$

- (a) What is devaluation? Discuss the conditions under which it is expected to improve a deficit in the balance of payments of a country. $4 + 12$
- (b) Explain clearly Hicks' theory of business cycle. 16
- (c) Discuss the difference between the short-run Phillips curve and the long-run Phillips curve. What are the policy implications of the Phillips curve? $12 + 4$

(d) Explain briefly the monetary approach to balance of payments adjustment. 16

(e) Write short notes on any *two* of the following : $8 \times 2 = 16$

- (i) The concept of 'rational expectations'
- (ii) Role of fiscal policies in controlling inflation
- (iii) Tobin's portfolio balance theory
