

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD**  
*(Department of Economics)*

**WARNING**

1. **PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
2. **SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

**Course: Monetary Theory and Policy (811)**  
**Level: M. Sc Economics**  
**Credit Hours: 03**

**Semester: Autumn, 2012**  
**Total Marks: 100**  
**Pass Marks: 40**

**ASSIGNMENT No. 1**  
**(Units 1–5)**

- Q. 1 What is money, and why does anyone want it? Also explain the concept of the opportunity cost of holding money. **(20)**
- Q. 2 Critically discuss the Keynesian theory of liquidity preference as an explanation of the determination of the interest rate. **(20)**
- Q. 3 Explain why in Wicksell theory, changes in money supply affects interest rate but only in the short run. **(20)**
- Q. 4 Say's Identity implies that money market is always in equilibrium no matter what happens to the absolute price level. Verify this statement. **(20)**
- Q. 5 In Keynesian model, existence of speculative demand for money implies that velocity is not fixed. Do you agree? If yes, show how. **(20)**

**ASSIGNMENT No. 2**  
**(Units 6–9)**

**Total Marks: 100**

**Pass Marks: 40**

- Q. 1 Discuss the main features of Neo Classical synthesis as presented by Patinkin. **(20)**
- Q. 2 How Friedman's theory of demand for money differs from Keynes' theory? Also compare and contrast these theories of demand for money. **(20)**
- Q. 3 Discuss the theory of structural inflation. **(20)**
- Q. 4 Differentiate and compare the fixed and floating exchange rate system in detail. **(20)**
- Q. 5 Pigou effect is like Keynes effect based on wealth effect but in the goods market. Analyse this statement. **(20)**