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)

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)