

**IAS-MAINS
ECONOMICS(Optional)**

Previous years Question Paper (Topic wise)

ADVANCED MACRO ECONOMICS

- ✓1. Using the IS-LM model, show how expected deflation may cause equilibrium output to remain at less than full-employment level. **(2018)**
- ✓2. Is stagflation a logical outcome of Keynesian orthodoxy? Give reasons for your answer. **(2018)**
- ✓3. In the simple Keynesian model, if consumption and investment are both functions of income, how would the multiplier be affected? **(2018)**
4. What is hysteresis? Explain the impact of hysteresis in Gradualist Monetarist and Eclectic Keynesian frameworks. **(2018)**
5. How will you derive the real aggregate demand curve using the New Classical Theory ? **(2018)**
- ✓6. What is interest rate targeting? Explain using the concept of Taylor rule. **(2018)**
- ✓7. Show that in the complete Keynesian model only fiscal policy is effective during a period of depression. **(2017)**
- ✓8. Explain the difference between the assumptions of New classical and the New Keynesian approaches in managing individuals and markets. **(2017)**
- ✓9. Show that full employment is the logical conclusion of the Classical macro model. **(2017)**
- ✓10. Discuss briefly the circumstances where fiscal expansion leads to full crowding out. **(2017)**
- ✓11. Explain how the equilibrium employment and real wage would change in a typically classical model if, in the event of increase in supply of labour, money wage becomes rigid. **(2017)**
- ✓12. "Transaction demand for money is not always interest rate inelastic." Discuss. **(2017)**
- ✓13. Explain the Keynesian and classical extreme monetary assumptions for showing their effects on the slope of the LM curve. **(2017)**
- ✓14. What are the fiscal and monetary implications of vertical IS and vertical LM curves? **(2016)**

15. “The advent of New Classical Macro-economics has tended to upset the applecart of Keynesian and to a great extent, that of the Monetarists.” Discuss (2016)
16. Discuss in brief Friedman’s restatement of the quantity theory of money and find its similarity difference with the classical quantity theory. (2016)
17. Distinguish between Monetarist and Neo-Keynesian approaches to expectation-augmented Phillips curve. (2016)
18. Should inflation targeting be main plank of monetary policy of a central bank in emerging market economies like India? Show its implications on investment and growth. (2016)
19. State Okun’s law and find out the expectations-augmented Philips curve.(2015)
20. “If the interest elasticity of demand for money is low, the monetarists could predict the real GNP simply by the use of money supply.” Explain this statement. (2015)
21. “Under rational expectations hypothesis, systematic monetary policy will be ineffective.” Explain this statement using a suitable model. (2015)
22. Show that liquidity preference is neither necessary nor sufficient for the existence of involuntary unemployment in Keynesian system. (2015)
23. Explain the meaning and significance of money illusion on the part of workers in the Keynesian theory of employment. (2015)
24. Differentiate between the complete, partial and zero crowding out effect to a given increase in government expenditure in an economy. (2014)
25. Explain the paradox of thrift. (2014)
26. “Monetarists are of the view that only money matters and Keynesians believe that money does not matter at all.” What is the reasoning behind these extreme views held by their protagonists? (2014)
27. Explain with appropriate assumptions, the determination of equilibrium income and interest rate in a Keynesian model of goods and money markets, through diagrams. (2014)
28. Discuss the classical dichotomy that money is neutral. (2014)
29. Explain the determination of output and employment in a macroeconomic under the conditions when individuals are subject to (i) no money illusion, (ii) money illusion. (2013)

- ✓30. An individual finds that all his receipts (including income) and payment transactions are in the form of money that bears no interest. However, he can convert money into bonds and earn interest income but that involves a fixed cost of each conversion transaction. What are the determinants of the individual's demand for holding money? **(2013)**
- ✓31. If workers supply labour on the basis of an expected real wage, how is the aggregate supply of output determined in the economy? Suppose aggregate demand and supply are below the natural rate of employment and output. Would the New Classical economists advocate any particular policy intervention when the economy is in such a situation? **(2013)**
- ✓32. Macroeconomics is usually approached via the outcomes of economic interaction in the following four markets—money, bonds, and labour markets. The Classical economists focused on which three of these four markets? In which market does the loanable fund theory of interest rate determination of the Classical economists focus and how is the interest rate determined? The Neo Classical synthesis focuses on which three markets? In which market is the interest rate primarily determined in the liquidity preference theory? **(2013)**
- ✓33. Why is under-employment equilibrium possible in Keynesian economics, but not possible in Classical economics? Give reasons **(2012)**
- ✓34. Why does the point of intersection of IS and LM curves coincide with two markets? **(2012)**
- ✓35. What are the fiscal and monetary implications of vertical IS and vertical LM curves? **(2012)**
- ✓36. "Transaction demand for money is interest rate elastic." Explain in reference to the post-Keynesian theories of demand for money. **(2012)**
- ✓37. The marginal efficiency of capital together with the current rate of interest determine the profitability of an investment project, How does it help in the selection of an investment project? **(2011)**
- ✓38. Is Friedman's quantity theory of money close to Classical or Keynesian approach to the aggregate demand for money? Give justifications for your arguments. **(2011)**
- ✓39. 'Monetarists are of the view that only money does and Keynesians believe that money does not matter.' What is your reasoning of the extreme views held by the monetarists and the Keynesians? **(2011)**
- ✓40. What is 'liquidity trap'? How does it occur? Illustrate. **(2011)**

- ✓41. Why does the point of intersection of IS and LM curves coincide with the equilibrium of two markets? **(2010)**
- ✓42. What are the fiscal and monetary implications of vertical IS and vertical LM curves? **(2010)**
43. In Keynesian theory “rate of interest is what it is because it is expected to become other than it is. If it is not expected to become other than it is, there is nothing to tell us why it is what it is.” Critically evaluate this comment and explain the role of rate of interest in determination of equilibrium income. **(2010)**
44. Is the speculative demand for money responsible for the existence of involuntary unemployment in Keynesian system? Give reasons. **(2010)**
- ✓45. “New classical macro-economics not only rejects the demand management policies of Keynes, but also the propositions of mainstream monetarists such as Friedman.” Do you agree? **(2010)**
46. “Cambridge equation determines income (Y) assuming rate of interest (r) as given, whereas Keynes theory of interest rate determination assumes given income. Both are thus incomplete.”
- Do you agree with the above assertion? How would then these two variables (Y and r) be determined simultaneously? **(2009)**
- ✓47. “If expectations (regarding price level) were always fulfilled, short-run aggregate supply curve would always be vertical.”
- Critically examine this statement of New Classical Economics, What would be the shape of the curve, if expectation were not realized? What other assumption is made by New Classical Economists in this context and what is its implication? **(2009)**
- ✓48. Explain Milton Friedman’s reformulation of the Quantity Theory of Money. **(2009)**
- ✓49. Do you subscribe to the view that liquidity trap is a depression phenomenon? Elaborate your answer. **(2008)**
- ✓50. Outline Keynesian theory of **income**, output and employment. Do you subscribe to the view that the principle of effective demand is the logical starting point of this theory? Elaborate your answer. **(2008)**
- ✓51. Explain the IS-LM approach of interest rate determination. Why this approach is considered superior? **(2008)**
- ✓52. Outline the Keynesian theory of money and interest. What is role of expectations in the theory of determination of rate of interest? **(2007)**

53. Do you agree with the view that Keynes' General Theory is a special case of the classical theory, obtained by imposing certain restrictive assumptions on the latter? Elaborate. (2006)
54. "Simplicity of the Quantity Theory of Money is its strength as well as its weakness." Discuss. (2006)
55. How do you Keynesians, monetarists and rational expectation advocates differ in their views with regard to trade-off between inflation and employment? (2006)
56. What is inflation? Is cost-push an adequate explanation of inflationary process? (2005)
57. Explain Keynes' Absolute Income hypothesis. Give a critical evaluation of this theory. (2005)
58. Describe the fiscal and monetary policies of economic stabilization. Make a comparative analysis of their effectiveness in developed and developing economy. (2005)
59. "In the Keynesian system, aggregate demand determines the conditions of labour market, whereas in the classical system, the labour market takes care of itself." Explain this statement. (2005)
60. What is the role of the small-scale industries in the Indian economy? Discuss briefly the main recommendations of the Study Group on Development of Small Enterprises. (2004)
61. 'Keynesian theory of money and prices is general in its nature, it uses all functional relations in the economy and provides for all types of price behavior including the one implicit in the Quantity Theory of Money'. Discuss. (2003)
62. 'Hicks-Hansen diagram is an improvement over the Keynes' Theory of Income Determination'. Discuss. (2003)
63. Suppose the economy is in a recession. How can monetary and fiscal policies speed up the recovery? (2002)
64. Specifying its determinants explain Keynesian theory of Employment. In what dimensions, do you think, it makes an improvement over the classical theory of employment? (2002)
65. Explain the Phillips curve. Is it dead or alive? (2001)
66. Distinguish between 'demand-pull' and 'cost-push' types of inflation. (2001)
67. "The rate of interest is determined by the demand for and the supply of money." Comment. (2001)

68. What are the salient differences between Fisher's Equation and Cambridge Equation of money? Which of these do you prefer and why? (2001)
69. In monetary equilibrium, why is there a positive relationship between the level of income and the rate of interest? (2000)
70. On what behavior hypotheses would the IS curve be a horizontal straight line? Do they seem plausible to you? On what hypotheses would it be vertical? (2000)
71. In what sense is it true to say that pre-Keynesian macro-economics assumed full employment or a 'natural' level of unemployment? (2000)
72. The economy is currently at full employment. Assuming a lump-sum tax, if the government sector decreases its level of spending but does not want this policy to be deflationary, what reduction in taxes is required to maintain price stability? (2000)
73. What is the difference between the schedule of the marginal efficiency of capital and the schedule of the marginal efficiency of investment? Explain your view with the help of diagrams. (2000)
74. Is it true to say that it is possible to control either the money supply or the rate of interest, but not both? Discuss. (2000)
75. Illustrate the theory of inflationary gap. (1999)
76. Explain the Phillips curve and comment on its significance. (1999)
77. Critically examine the theory of money formulated by Milton Friedman. (1999)
78. Discuss Say's law of markets. How far is it relevant to a modern society? (1999)
79. Supply in any type of market follows demand. Why did J.B.Say then make the statement that supply creates its own demand? Explain (1998)
80. The liquidity theory of interest can explain interest rate determination in a monetized economy. Discuss this statement. (1998)
81. What were the criticisms leveled by Keynes against the classical theory of employment? What were the criticisms against Keynesian theory of employment? In the light of criticisms against these two theories, which theory would you hold better and why? (1998)
82. Explain clearly the concept of marginal efficiency of capital as propounded by Keynes. (1997)
83. Distinguish between real and nominal rates of interest. Can real interest rate be zero? (1997)

- ✓84. What is 'real balance effect? Examine its importance in patinkin's model.(1997)
- ✓85. Reconcile the apparent contradiction between the following two statement:
- (i) "Saving is always equal to investment."
 - (ii) Saving is equal to investment only when the economy is in equilibrium."
- (1996)
