MAJOR EXAMINATION, HUL 213
DEPARTMENT OF HUMANITIES AND SOCIAL SCIENCES
Maximum Marks- 40 Marks; 26th November 2013
Timings: 8:00 AM – 10:00 AM

SECTION-C (20 Marks)

1. Given a three-sector model when:

$C = 100 + 0.80Y_d$
$I^* = 150 – 600i$
$G = 20$
$T = 10$
$M_s = 200$
$M_t = 0.20Y$
$M_a = 50 – 400i$
$P = 1$

(here i is interest rate, M_s is money supply, M_t is transaction demand for money and M_a is speculation demand for money)

Find: (i) the equilibrium level of income and interest rate.
and (ii) the level of consumption and investment at the equilibrium levels.   [5 Marks]

2. (a) What factors determine whether the IS curve is steep or flat?
   (b) Why does monetary policy become ineffective if the economy is passing through a phase of liquidity trap?   [3 Marks]

3. Is software a final good or an intermediate good? Are capital goods final goods or intermediate goods? Give reason.   [2 Marks]

4. What role does assumption of downward rigidities of nominal wages play in derivation of Keynesian aggregate supply curve? Explain.   [3 Marks]

5. In the debates related to the current economic situation in the country, some economists argue that the RBI should undertake policies to ensure low inflation. Other economists oppose such policies, arguing that RBI's restrictive policies will only slow down economic growth and are not likely to have any effect on inflation. What are your views? Explain in detail.

OR

The HDI has been able to present some aspects of human development that GNP tends to miss. Do you agree? Explain.   [4 Marks]

6. Write short-notes on any *three* of the following:
   (a) Law of Diminishing Returns
   (b) Stagflation
   (c) Statutory Liquidity Requirement
   (d) Transfer Payments
   (e) Moral Suasion   [3 Marks]