

(6)

4. (a) Compare and contrast the approaches to determine aggregate price level under classical and Keynesian framework. 11

Or

- (b) In the backdrop of Keynesian theory, explain the following : 3+3+3+2=11

(i) Aggregate demand and aggregate supply functions

(ii) Effects of change in aggregate expenditure

(iii) Consumption function

(iv) Marginal propensity to save

5. (a) Explain the process of income generation through the investment multiplier with an example. Does multiplier work in a developing economy? Give reasons for your answer. 8+3=11

Or

- (b) Explain the permanent income hypothesis of consumption. What are its similarities with the life cycle hypothesis? 7+4=11

(7)

6. (a) Explain the Keynesian theory of interest. Mention its limitations. 8+3=11

Or

- (b) What are IS-LM curves? Determine the equilibrium level of income and interest rate under IS-LM framework. 4+7=11

7. (a) Define Balance of Payments (BoP). Discuss the causes of disequilibrium in Balance of Payments. 4+7=11

Or

- (b) (i) What are the differences between open economy and closed economy? 3
(ii) Explain the monetary approach to the adjustment in Balance of Payments. 8
