

2018

(4th Semester)

ECONOMICS

Paper No. : Eco-401

(**Macroeconomics—II**)

Full Marks : 70

Pass Marks : 45%

Time : 3 hours

(PART : B—DESCRIPTIVE)

(Marks : 45)

*The figures in the margin indicate full marks
for the questions*

1. Critically examine the cash balance approach to demand for money. 9

Or

Explain how Keynes's reformulated quantity theory of money is superior to the original quantity theory of money. Examine the limitations of the Keynesian theory. 5+4=9

2. Why is the Reserve Bank of India known as the apex monetary authority? Discuss the functions of Central Bank. 2+7=9

Or

Explain the credit creation process of commercial banks. 9

3. Define high powered money. Explain the determinants of the size of the money multiplier. 2+7=9

Or

Explain RBI's approach towards defining the determinants of money supply in India. 9

4. Explain the causes of inflation and point out some of the measures to control it. 5+4=9

Or

Explain the relationship between unemployment and inflation according to Phillips curve. 9

5. Explain Keynes's view on occurrence of trade cycles. 9

Or

Explain Hawtrey's monetary theory of trade cycle. 9

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ECONOMICS

Paper No. : Eco-401

(Macroeconomics—II)

(PART : A—OBJECTIVE)

(Marks : 25)

The figures in the margin indicate full marks for the questions

SECTION—I

(Marks : 15)

A. Put a Tick (✓) mark against the correct answer in the brackets provided : 1×10=10

1. According to Fisher's equation, an increase in the quantity of money lead to

(a) a decrease in the price-level ()

(b) an increase in the price-level ()

(c) a proportionate increase in the price-level ()

(d) None of the above ()

2. $PT = MV$ is known as
- (a) the equation of balance ()
 - (b) the equation of exchange ()
 - (c) the equation of transaction ()
 - (d) None of the above ()
3. At times of inflation, it is likely that the Central Bank will
- (a) raise the CRR % ()
 - (b) lower the CRR % ()
 - (c) keep the CRR % unchanged ()
 - (d) Either (b) or (c) ()
4. During economic depression, under open market operations
- (a) the Central Bank becomes purchaser of securities ()
 - (b) the commercial banks become sellers of securities ()
 - (c) Both (a) and (b) ()
 - (d) Neither (a) nor (b) ()

5. The narrowest measure of money supply, according to the RBI's classification is

(a) M_1 ()

(b) M_2 ()

(c) M_3 ()

(d) M_4 ()

6. Money performs its 'store of value' function better if its value

(a) remains stable ()

(b) keeps fluctuating ()

(c) keeps falling ()

(d) keeps increasing ()

7. During inflation, fixed income earners are

(a) the losers ()

(b) the gainers ()

(c) not affected ()

(d) None of the above ()

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- (a) the losers ()
 - (b) the gainers ()
 - (c) not affected ()
 - (d) None of the above ()

8. During inflation, public expenditure should be
- (a) expanded ()
 - (b) contracted ()
 - (c) not affected ()
 - (d) None of the above ()
9. In a business cycle, peak is followed by
- (a) expansion ()
 - (b) trough ()
 - (c) recession ()
 - (d) None of the above ()
10. The concept of supermultiplier is found in the theory of business cycle given by
- (a) Keynes ()
 - (b) Hawtrey ()
 - (c) Both (a) and (b) ()
 - (d) Neither (a) nor (b) ()

B. Indicate *True (T)* or *False (F)* by a Tick (✓) mark :

1×5=5

1. According to Keynes demand for money is liquidity preference.

(T / F)

2. Bank rate policy is a qualitative credit control measure.

(T / F)

3. Money supply includes interbank deposits.

(T / F)

4. Stagflation means stagnation in the economy at time of deflation.

(T / F)

5. Hick's theory of trade cycle believes multiplier and accelerator are opposing forces.

(T / F)

SECTION—II

(Marks : 10)

C. Write briefly on any *five* of the following : 2×5=10

1. Primary functions of money

2. Different types of deposits accepted by commercial banks

3. Definition of supply of money

4. Effect of inflation of distribution

5. Demand pull inflation

(11)

6. Concept of multiplier

7. Nature of trade cycles
