

2016

(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. How far is the cash balance approach superior to the cash transaction approach to the value of money? What are its shortcomings? 6+3=9

Or

Explain Keynes' theory of money and prices. How far is it an improvement on the traditional quantity theory of money? 5+4=9

2. Define central bank. What are the principal functions of the central bank? 1+8=9

Or

Explain the process of creation of credit by commercial banks. What are the limitations on the credit creating power of the banks? 6+3=9

3. What is meant by 'high-powered money'? How does it influence the volume of money supply? 3+6=9

Or

Explain the term 'money supply'. Describe the various components of money supply. 3+6=9

4. What are the causes of inflation? What measure would you suggest to control it? 4+5=9

Or

What is Phillips curve? What kind of trade-off between unemployment rate and inflation rate does it imply? 2+7=9

5. What is business cycle? Describe the various phases of a business cycle. 2+7=9

Or

Explain Hawtrey's monetary theory of business cycle. 9

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(PART : A—OBJECTIVE)

(Marks : 25)

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SECTION—I

(Marks : 15)

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

- The volume of K in Cambridge equation depends on
 - money supply ()
 - real national income ()
 - velocity of circulation ()
 - interest rate ()

2. In the equation

$$P = \frac{MV + M'V'}{T}$$

which element is not assumed to be constant?

(a) P ()

(b) V ()

(c) M ()

(d) T ()

3. Which of the following functions is not performed by the central bank?

(a) Issue of notes ()

(b) Accepting deposits from public ()

(c) Government's banker ()

(d) Lender of last resort ()

4. Which of the following methods of credit control is more flexible?

- (a) Bank rate policy ()
- (b) Open market operation ()
- (c) Variable cash reserve ratio ()
- (d) Selective credit control ()

5. Money supply means

- (a) currency ()
- (b) cash balances held by the Government and the banks ()
- (c) total stock of money in circulation at any moment ()
- (d) currency notes in circulation ()

6. The money supply will be high with the higher

- (a) supply of high-powered money ()
- (b) currency ratio ()
- (c) required reserve ratio ()
- (d) excess reserve ratio ()

7. Inflation is beneficial to which of the following sections of the economy?
- (a) Creditors ()
 - (b) Investors in bonds as securities ()
 - (c) Debtors ()
 - (d) Consumers ()
8. Inflation is unjust because it
- (a) helps the producers ()
 - (b) increases unemployment ()
 - (c) increases economic inequalities ()
 - (d) goes on gathering momentum ()
9. Which of the following is not an essential characteristic of business cycle?
- (a) Recurrent in nature ()
 - (b) Cumulative in effect ()
 - (c) Regular ()
 - (d) All pervading in their impact ()

10. Which of the following theories of business cycle has been given by Hawtrey?

(a) Purely monetary ()

(b) Monetary overinvestment ()

(c) Real overinvestment ()

(d) Underconsumption ()

B. Indicate *True (T)* or *False (F)* by a Tick (✓) mark : 1×5=5

1. At a very low rate of interest, the speculative demand for money is perfectly elastic.

(T / F)

2. The interest rate charged by banks on loans is the bank rate.

(T / F)

3. Deposit multiplier depends upon currency-deposit ratio.

(T / F)

4. Excess demand can arise even when there is no change in money supply.

(T / F)

5. According to Hicks, changes in consumption and investment influence the equilibrium of the whole economy.

(T / F)

SECTION—II

(Marks : 10)

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

1. Write the importance of money in our modern society.

2. Who is a banker's bank? Explain its functions.

3. Explain the velocity of circulation of money.

4. What are the factors responsible for demand-pull inflation?

- 5 Distinguish between major and minor business cycles.

6. What is money multiplier?

7. Write on selective credit control.
