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(CBCS)

(4th Semester)

ECONOMICS

FOURTH PAPER

(Macroeconomics—II)

Full Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

(SECTION : A—OBJECTIVE)

(*Marks* : 10)

Tick (✓) the correct answer in the brackets provided :   1×10=10

1. The value of money is

(a) directly related to the price level   (   )

(b) inversely related to the price level   (   )

(c) proportionately related to the price level   (   )

(d) All of the above   (   )

2. Fisher's cash transaction equation is expressed as

(a) $P \quad \dfrac{MV}{T}$ (   )

(b) $K \quad \dfrac{M}{PT}$ (   )

(c) $V \quad \dfrac{I}{K}$ (   )

(d) $P \quad \dfrac{M}{KT}$ (   )

3. Bank rate is

(a) the rate of interest charged by banks on loans ( )

(b) the rate of interest paid on deposits ( )

(c) official discount rate at which the central bank rediscount approved bill of the commercial banks ( )

(d) the interest paid by commercial banks to their beneficiaries ( )

4. Reserve Deposit Ratio is

(a) the proportion of money RBI lends to commercial banks ( )

(b) the proportion of total deposits commercial banks keep as reserves ( )

(c) the total proportions of money that commercial banks lend to the customers ( )

(d) All of the above ( )

5. "Trade cycle is purely a monetary phenomenon." Whose statement is this?

(a) J. M. Keynes ( )

(b) R. G. Hawtrey ( )

(c) F. A. Hayek ( )

(d) J. Schumpeter ( )

6. The principle of accelerator explains the process by which

(a) an increase or decrease in the demand for consumption goods leads to an increase or decrease in the investment on capital goods ( )

(b) the ratio between induced investment and an initial change in consumption expenditure ( )

(c) an increase or decrease in the investment on capital goods leads to an increase or decrease in the demand for consumption goods ( )

(d) None of the above ( )

7. Which of the following measures will help to reduce the rate of inflation?

(a) Lowering down the rate of taxation ( )

(b) Lowering down the rate of interest ( )

(c) Decrease in tax rate ( )

(d) Increase in tax rate ( )

8. Which people are most likely to gain during inflation?

(a) Those living on pension ( )

(b) Those living on their savings ( )

(c) Those who are repaying borrowed money ( )

(d) Those who have lend money ( )

9. The technique of production in which the amount of capital used per unit of output is larger than that of labour is known as

(a) capital-intensive technique ( )

(b) labour-intensive technique ( )

(c) manpower planning technique ( )

(d) None of the above ( )

10. Economic growth can be best measured in terms of changes in

(a) GDP per head in agriculture sector ( )

(b) GDP per head in industrial sector ( )

(c) GDP per head of the working population ( )

(d) real national income per head ( )

(SECTION : B—SHORT ANSWER)

(*Marks* : 15)

Answer/Write on the following : 3×5=15

UNIT—I

1. Cash balance approach of the quantity theory of money

OR

2. Money as a store of value

UNIT—II

3. Functions of commercial banks

OR

4. Open market operation

UNIT—III

5. What do you mean by trade cycle?

OR

6. Internal and external factors affecting business cycles

UNIT—IV

7. Inflationary gap

OR

8. Distinguish between Reflation and Stagflation.

UNIT—V

9. Define human development index (HDI).

OR

10. Distinguish between Economic growth and Economic development.

(SECTION : C—DESCRIPTIVE)

(*Marks* : 50)

Answer the following :   10×5=50

UNIT—I

1. Critically examine Keynes' reformulated quantity theory of money. How far is it superior to the traditional approach of the quantity theory of money?

7+3=10

OR

2. What do you mean by paper currency standard? Explain the merits of paper currency standard over metallic standard.   4+6=10

UNIT—II

3. Explain the quantitative and qualitative methods of credit control by the central bank.   10

OR

4. Define commercial banks. Discuss the process of credit creation by the commercial banks.   2+8=10

UNIT—III

5. What are the different phases of business cycles? Suggest suitable measurements to control cyclical fluctuations in the economy.   5+5=10

OR

6. Critically explain Hayek's over-investment theory of trade cycle.   10

UNIT—IV

7. Explain clearly the demand-pull inflation and cost-push inflation.   10

OR

8. Define inflation. Explain how Phillips curve relates the trade-off between unemployment and inflation in the economy.   2+8=10

UNIT—V

9. Discuss the neo-classical model of economic growth.   10

OR

10. Discuss Solow's model of economic growth. What are its limitation? 7+3=10

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