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(CBCS)

(4th Semester)

ECONOMICS

FOURTH PAPER

(Macroeconomics—II)

Full Marks : 75

Time : 3 hours

INSTRUCTIONS TO CANDIDATES

(Please read the instructions carefully before you start writing your answers)

1. Questions should be attempted as per instructions.
2. Do not copy the Questions. Indicate the Section and Question No. clearly while attempting the answer.
3. For Multiple choice answer, candidate should indicate the **Question No., Sub. No., (if any) and the correct answer. For example :**

1. *Name the State capital of Mizoram.*

(a) *Lunglei*

(b) *Aizawl*

(c) *Champhai*

Candidate should provide answer as—Q. No. 1 : (b) *Aizawl*

[Candidate should **avoid** writing only (b)]

4. The figures in the margin indicate full marks for the questions.

(SECTION : A—OBJECTIVE)

(Marks : 10)

Choose the correct answer from the options provided :

1×10=10

1. According to Fisher's Quantity Theory of Money, the value of money is determined by

- (a) demand for money
- (b) supply of money
- (c) demand and supply of money
- (d) None of the above

2. High-powered money is

- (a) the sum of Central Bank reserves and currency (notes and coins) held by the Government
- (b) the sum of commercial bank reserves and currency (notes and coins) held by the public
- (c) the sum of bank deposits and currency (notes and coins) held by the public
- (d) All of the above

3. Which of the following is **not** a function of commercial bank?

- (a) Accepting deposits
- (b) Advancing loans
- (c) Printing of currency
- (d) Creation of credit

4. The lowering of bank rate by the Central Bank of a country leads to
- (a) more liquidity in the market
 - (b) mobilization of more deposits by commercial banks
 - (c) no change in the liquidity in the market
 - (d) None of the above
5. Trade cycles are caused by
- (a) fiscal factors
 - (b) monetary factors
 - (c) both monetary and non-monetary factors
 - (d) None of the above
6. According to Keynes, in order to fight depression, stabilization policy should include
- (a) high rate of taxation
 - (b) high interest rate
 - (c) increased public expenditure
 - (d) None of the above
7. The term 'inflationary gap' was coined by
- (a) Irving Fisher
 - (b) Milton Friedman
 - (c) J. M. Keynes
 - (d) Paul A. Samuelson

- 8.** Which of the following measures proves effective in reducing the rate of inflation?
- (a) Decreased personal consumption
 - (b) Evaluation of currency
 - (c) Increased taxation
 - (d) All of the above
- 9.** The major difference between Harrod-Domar and Solow models of growth lies in
- (a) returns to scale
 - (b) returns to variable factors
 - (c) substitutability between labour and capital
 - (d) growth of income
- 10.** Which growth model analyses the contribution of technological progress to the overall growth rate?
- (a) Solow's model
 - (b) Kaldor's model
 - (c) Harrod's model
 - (d) All of the above

(SECTION : B—SHORT ANSWER)

(Marks : 15)

Write short notes on the following :

3×5=15

1. (a) Gresham's law

OR

(b) Keynesian Reformulated Quantity Theory of Money

2. (a) Derivative deposits

OR

(b) Bank rate

3. (a) Accelerator

OR

(b) Hawtrey's monetary theory of trade cycle

4. (a) Phillips curve

OR

(b) Distinction between deflation and stagflation

5. (a) Role of technical progress for economic growth

OR

(b) Three growth rates in Harrod-Domar model

(SECTION : C—DESCRIPTIVE)

(Marks : 50)

Answer the following questions :

10×5=50

UNIT—I

1. (a) Examine the cash balance approach to the quantity theory of money.
How far is it superior to the transaction approach? 7+3=10

OR

- (b) What is money? Explain different functions of money. 2+8=10

UNIT—II

2. (a) What is Central Bank? Explain the various instruments of credit control by the Central Bank. 2+8=10

OR

- (b) Define commercial banks. Discuss the process of credit creation by the commercial banks. 2+8=10

UNIT—III

3. (a) Explain the different phases of business cycles. What are the major causes of business cycles in the economy? 6+4=10

OR

- (b) Critically examine Hayek's over-investment theory of trade cycle. 10

UNIT—IV

4. (a) What is inflation? Explain the effects of inflation in the economy. 3+7=10

OR

- (b) What are the major causes of inflation? Explain briefly the various measures to control inflationary problems in the economy. 5+5=10

UNIT—V

5. (a) Critically explain the Harrod-Domar model of economic growth. 10

OR

(b) Critically explain the Solow's model of economic growth. 10
