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(CBCS)

(4th Semester)

ECONOMICS

FOURTH PAPER

(Macroeconomics—II)

Full Marks : 75

Time : 3 hours

(PART : A—OBJECTIVE)

(Marks : 25)

The figures in the margin indicate full marks for the questions

Answer **all** questions

SECTION—A

(Marks : 10)

Tick (✓) the correct answer in the brackets provided :

1×10=10

1. Which of the following is an essential characteristic of money?

- (a) Money is homogeneous in spite of the differences of the nations ()
- (b) Money is stamped with the seal of the issuing authority ()
- (c) Money has no particular shape, design and colour ()

2. Which of the following is not a function of money?

- (a) Medium of exchange ()
- (b) Means of barter ()
- (c) Standard of deferred payment ()

- 3.** 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 ()
- 4.** The process of credit creation has the effect of
(a) raising the real national income ()
(b) increasing the supply of money ()
(c) raising the real wealth of a country ()
- 5.** The Great Depression occurred in the
(a) 1930s ()
(b) 1940s ()
(c) 1960s ()
- 6.** When the economic activity is increasing, the economy is said to be in
(a) an expansion ()
(b) a contraction ()
(c) a peak ()
- 7.** The term 'inflationary gap' was coined by
(a) Irving Fisher ()
(b) Milton Friedman ()
(c) J. M. Keynes ()
- 8.** — refers to a moderate degree of controlled inflation.
(a) Stagflation ()
(b) Deflation ()
(c) Reflation ()
- 9.** Development is impossible without
(a) domestic savings ()
(b) foreign aid ()
(c) incentive to profit ()

10. The concept of economic growth is more relevant for

- (a) developed countries ()
- (b) underdeveloped countries ()
- (c) European countries ()

SECTION—B

(Marks : 15)

Write short notes on the following :

3×5=15

1. Minimum reserve system of note issue

OR

Gresham's law

2. Three functions of commercial banks

OR

Primary and derivative deposits

3. Phases of trade cycle

OR

Fiscal policy

4. Demand-pull inflation

OR

Cost-push inflation

5. Economic growth

OR

Constant returns to scale in Solow's growth model

(PART : B—DESCRIPTIVE)

(Marks : 50)

The figures in the margin indicate full marks for the questions

UNIT—I

- 1. (a)** Discuss the Cambridge cash balance approach to quantity theory of money. How far is it superior to the cash transaction? 10

OR

- (b)** Define paper currency standard. Discuss the principal merits of paper currency standard over metallic standard. 2+8=10

UNIT—II

- 2. (a)** Critically examine ‘process of credit creation’ by the commercial banks. 10

OR

- (b)** Explain the ‘quantitative’ and ‘qualitative’ methods of credit control by the Central Bank. 10

UNIT—III

- 3. (a)** Critically discuss Hayek’s overinvestment theory of trade cycles. 10

OR

- (b)** Outline the policies that can be used to control cyclical fluctuations in trade cycles. 10

UNIT—IV

- 4. (a)** Discuss the theory of Phillips curve and bring out its policy implication. 10

OR

- (b)** “Inflation is unjust and deflation is inexpedient.” Discuss. 10

UNIT—V

- 5. (a)** Discuss the neo-classical model of economic growth. 10

OR

- (b)** Elaborate upon Harrod-Domar model of economic growth. 10

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