

2018

(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. 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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