2014

ECONOMICS

(Major)

Paper : 2·2

(Macroeconomics—II)

Full Marks : 80

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Answer the following : 1×10=10

(a) What is the condition for equilibrium in the product market?

(b) Define the term 'liquidity preference'.

(c) Fill in the blank :

The cash balance approach of the quantity theory of money emphasized on —— function of money.

(d) Mention one limitation of the monetary theory of trade cycle.

(e) What is meant by cash-push inflation?

(f) How will the LM curve shift when the central bank follows an expansionary monetary policy?

(g) Mention the different phases of business cycle.

(h) Define 'IS curve'.

(i) Point out one difference between transaction approach and cash balance approach of the quantity theory of money.

(j) What does 'R' mean in Pigou's equation of Cambridge cash balance approach?

2. Answer the following questions in brief : 2×5=10

(a) Mention two limitations of Fisher's quantity theory of money.

(b) Why does IS curve slope downward?

(c) Point out the difference between recovery and recession.

(d) Mention two properties of LM curve.

(e) What is Philips' curve?

3. Answer any *four* of the following questions : 5×4=20

(a) What is the effect of an increase in government spending on IS-LM model?

(b) Discuss briefly how Hawtrey explained the factors behind trade cycle.

(c) Examine the superiority of the Keynesian reformulated quantity theory of money over the traditional quantity theory of money.

(d) Explain briefly the concept of inflationary gap.

(e) Distinguish between product market and money market.

(f) Explain briefly the basic characteristics of a business cycle.

4. Answer any *four* of the following questions : 10×4=40

(a) Within the IS-LM curve model, what would be the effect of an increase in government spending and money supply on income and interest rate? Explain. 10

(b) Explain the multiplier-accelerator interaction theory of trade cycle. 10

(c) Distinguish between cost-push inflation and demand-pull inflation. What measures would you suggest to control demand-pull inflation? 6+4=10

(d) Explain the cash balance approach of the quantity theory of money. 10

(e) Explain the structural theory of inflation. 10

(f) Discuss how Keynes reformulates the quantity theory of money. 10

(g) Discuss briefly the IS-LM framework to determine the rate of interest and level of income. 10

(h) Write short notes on the following : 5+5=10

(i) Measures to control trade cycle

(ii) Effect of fiscal change on the product market equilibrium

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