2012

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 questions : 1×10=10

(a) Give the meaning of the term 'liquidity preference'.

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

(c) Define the term 'transaction velocity of circulation of money'.

(d) State the Marshallian cash-balance equation giving the meaning of the variables.

(e) What is 'inflationary gap'?

(f) "The trade cycle is a purely monetary phenomenon." Name the economist who made the statement.

(g) Mention two important characteristics of a business cycle.

(h) What is meant by 'cost-push inflation'?

(i) Mention two properties of LM curve.

(j) How will the IS curve shift, when government spending is increased?

2. Answer the following questions (in brief) : $2 \times 5 = 10$

(a) Why does the IS curve slope downward?

(b) Point out the difference between recession and depression.

(c) Does an increase in the money supply necessarily cause the general price level to rise?

(d) Distinguish between the transactions demand for money and asset demand for money.

(e) What condition is required for the LM schedule to be vertical?

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

(a) Examine the proportionality between the quantity of money and the general price level using the Fisherian equation of exchange.

(b) What is the relationship between the Fisherian V and the Cambridge K?

(c) Explain how the monetary policy shifts the position of the LM schedule.

(d) State the meaning of amplitude, peak, trough and period of a business cycle using a diagram.

(e) Comment on the relationship between the elasticity of LM curve and relative efficiency of fiscal and monetary policy.

(f) Outline the 'structuralist view' on inflation.

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

(a) Define and explain the speculative demand for money. Why is the speculative demand for money interest-elastic? 6+4=10

(b) Define the LM curve. Derive it graphically and explain the relationship between the interest rate and income. 2+8=10

(c) How does interaction between multiplier and accelerator lead to economic expansion and then to depression? 10

(d) Discuss the effects of inflation on production and distribution in an economy. 10

(e) Compare Fisher's and Cambridge's versions of quantity theory of money. Which one is superior and why? 10

(f) Explain the nature of 'cost-push' inflation. What measures would you suggest to control such inflation? 5+5=10

(g) 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

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

(i) Demand-pull inflation

(ii) Interaction of goods market and money market

★ ★ ★