

2016

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 as directed : 1×10=10

(a) Match the following Set—A with Set—B :

Set—A

Set—B

(i) Expansion

(a) Turning Point

(ii) Peak

(b) Boom

(iii) Contraction

(c) Lower Turning Point

(iv) Trough

(d) Recession

(b) Which of the following is regarding the shape of IS curve?

(i) It is horizontal straight line

(ii) It slopes downward to the right

(iii) It slopes upward to the right

(Choose the correct answer)

(c) In the IS-LM model, the demand for liquidity is assumed as

- (i) a function of the rate of interest
- (ii) a function of the level of income
- (iii) Both (i) and (ii)

(Choose the correct answer)

(d) Who reformulated the quantity theory of money?

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

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

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

(h) Define the investment multiplier.

(i) Monetary policy is said to be trapped and that is the reason why horizontal part of the money demand schedule is called _____. (Fill up the blank)

(j) "The Trade cycle is a purely monetary phenomenon." Who said the statement?

2. Answer the following questions in brief :

2×5=10

(a) Why does the IS curve slope downward?

(b) What is the effect of inflation on consumption?

- (c) Mention two features of inflation.
- (d) What is meant by a business cycle?
- (e) If $M = ₹ 500$, $M' = ₹ 250$, $V = 3$, $V' = 2$ and $T = 2000$, what will be general price level (p) and value of money ($\frac{1}{p}$)?

3. Answer any *four* of the following questions :

5×4=20

- (a) Why does the price of some commodities continue to increase while the rate of inflation is falling?
- (b) Distinguish between cost-push inflation and demand-pull inflation.
- (c) Explain the Fisherian equation.
- (d) Explain briefly the different phases of business cycle with the help of a diagram.
- (e) Why are the international measures important in controlling depression? What are international measures generally adopted?
- (f) Point out the weaknesses of IS-LM model.

4. Answer any *four* of the following questions :

10×4=40

- (a) What relationship does the IS curve capture? Derive the IS curve graphically and show why it slopes as it does.
- (b) Bring out the similarities and differences between Fisher's transaction approach and the cash balances approach.
- (c) Explain the 'structuralist view' on inflation in developing countries.
- (d) Discuss how Keynes reformulates the quantity theory of money.
- (e) What do you mean by multiplier-accelerator interaction? Prove that the interaction of the multiplier and accelerator provides a satisfactory explanation of the trade cycle.
- (f) Explain critically Hawtrey's theory of trade cycle.
- (g) Discuss the effect of inflation on production and distribution in an economy.
- (h) Within the IS-LM model, show how income and the interest rate are affected by (i) an increase in government spending and (ii) an increase in taxes.
