

2014

(November)

ECONOMICS

(Major)

Course : 504

(Monetary Theories and Financial Markets)

Full Marks : 80
Pass Marks : 32

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. Choose the correct answer/Answer the following/Write True or False : 1×8=8

(a) The speculative demand for money is

(i) interest-inelastic

(ii) income-determining, not income-determined

(iii) Both (i) and (ii)

(iv) None of the above

(Turn Over)

(b) A situation of simultaneous high inflation and large-scale unemployment is called

(i) disinflation

(ii) reflation

(iii) stagflation

(iv) deflation

(c) Who talked about 'primary wave' and 'secondary wave' of expansionary economic activity in the context of trade cycle?

(i) J. M. Keynes

(ii) Hawtrey

(iii) Samuelson

(iv) J. Schumpeter

(d) Wealth theory of demand for money was propounded by

(i) Alfred Marshall

(ii) Robertson

(iii) Milton Friedman

(iv) A. C. Pigou

(e) Define bank rate.

(f) The monetary base of a country is also known as

(i) speed money

(ii) high-powered money

(iii) bank reserves

(iv) None of the above

(g) According to supply-side economists, stagflation arises on account of

(i) increase in money wage

(ii) high marginal tax rates

(iii) changes in inflationary expectations

(iv) All of the above

(h) "The present value of a bond goes up with the increase in the market rate of interest."

(i) True

(ii) False

Answer the following within 500 words each :

2. (a) What is demand for money? Discuss the quantity theory approach to demand for money and critically evaluate it. $2+10=12$

Or

(b) What are various measures of money supply in India? Explain how changes in supply of money can affect the rate of interest. $6+6=12$

(Turn Over)

(4)

3. (a) Distinguish between 'demand-pull' and 'cost-push' inflation with the help of suitable diagrams. Examine the effects of inflation on distribution. $6+5=11$

Or

- (b) Define stagflation. Discuss the views of the monetarists and supply-side economists on the causes of stagflation. Briefly explain the measures that can be taken to combat stagflation. $2+5+4=11$

4. (a) What is business cycle? Explain the features of different stages of business cycles. $2+9=11$

Or

- (b) Critically examine Hawtrey's monetary theory of business cycle. Point out the policy implications of the theory. $8+3=11$

5. (a) Define credit multiplier. Explain the process of multiple credit creation by the commercial banks. $2+9=11$

Or

- (b) What do you mean by selective credit control? In what ways are they superior to quantitative credit control? $2+9=11$

(5)

6. (a) What is money market? Discuss the characteristics of a developed money market. $2+9=11$

Or

- (b) Examine the banking sector reforms in India in the context of Narasimham Committee Report. 11

7. Write short notes on any four within 150 words each : $4 \times 4 = 16$

- (a) Deflation and its impact on production
- (b) Principles of portfolio management
- (c) Relationship among money supply, monetary base and money multiplier
- (d) Speculative demand for money
- (e) Open market operation
- (f) Liquidity trap
