5 SEM TDC ECO M 4

2016

(November)

ECONOMICS

(Major)

Course : 504

(Monetary Theories and Financial Markets)

Full Marks : 80

Pass Marks : 32 (Backlog) / 24 (2014 onwards)

Time : 3 hours

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

1. Answer/Choose the correct answer of the following : 1×8=8

   (a) What is high-powered money?

   (b) The demand for money will fall if

   (i) real GDP rises

   (ii) real interest rate rises

   (iii) the GDP deflator rises

   (iv) All of the above

(*Turn Over*)

(c) Define liquidity trap.

(d) Who stated about 'primary wave' and 'secondary wave' in the context of trade cycle?

(i) J. M. Keynes

(ii) J. Schumpeter

(iii) Samuelson

(iv) Hawtrey

(e) Which of the following is an example of portfolio investment?

(i) An American places fund in a savings account in India

(ii) Tokyo Bank of Japan buys Union Bank of India

(iii) An American puts $ 10,000 into a money market fund

(iv) All of the above

(f) Which of the following is not a function of capital market?

(i) To deal with treasury bill

(ii) To supply long-term funds for investment

(iii) To deal with share and stocks

(iv) None of the above

(g) What is partial inflation?

(h) What is stock market?

(Continue

2. Write short notes on any *four* of the following (**within 150 words** each) : 4×4=16

(a) Value of money

(b) Effect of inflation on distribution

(c) Role of fiscal policy to control business cycles

(d) Regional rural banks

(e) Money market

Answer the following questions (**within 500 words each**) :

3. (a) Compare between classical and Keynesian views on demand for money. 12

Or

(b) Describe various components of money supply of an economy. What are the determinants of money supply? 7+5=12

4. (a) Outline the instruments of monetary policy. Discuss the relative effectiveness of monetary policy and fiscal policy in controlling inflation. 5+6=11

Or

(b) Explain the relationship between unemployment and inflation with the help of Phillips curve. Do you think that it is relevant in the present context? 7+4=11

(Turn Over)

5. (a) Show, with the help of a diagram, various stages of trade cycle. Briefly explain the cobweb theory of trade cycle.   6+5=11

Or

(b) Critically explain Keynes' view on trade cycle.   11

6. (a) Explain, with the help of an example, the mechanism of multiple credit creation by a commercial bank. Why cannot NBFIs create credit?   9+2=11

Or

(b) Discuss the comparative effectiveness of bank rate and open market operations as a method of credit control in an underdeveloped money market like India.   11

7. (a) Discuss Indian financial market reforms in the light of the Narasimham Committee Report.   11

Or

(b) What is meant by financial system? What are its components? Explain the functions of financial system.   2+4+5=11

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