3 (Sem-2) ECO M 2

2013

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 money market?

(b) What do you mean by the term 'liquidity preference'?

(c) The classical approach of the quantity theory of money emphasised on —— function of money.

(Fill up the blank)

(d) Mention one basic difference between monetary theory and multiplier-accelerator interaction theory of trade cycle.

(e) What is meant by demand-pull inflation?

(f) What is inflationary gap?

(g) How will the IS curve shift, when government spending is decreased?

(h) Define the LM curve.

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

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

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

(a) Distinguish between transaction demand for money and speculative demand for money.

(b) Why does LM curve slope upward?

(c) Point out the difference between prosperity and depression.

(d) Mention two properties of LM curve.

(e) What is the effect of inflation on production?

(c) Explain the 'structuralist view' on inflation in developing countries. 10

(d) Compare between Fisher's and Cambridge's versions of quantity theory of money. Which one is superior and why? 6+4=10

(e) Explain the nature of 'demand-pull' inflation. What measures would you suggest to control such inflation? 5+5=10

(f) Discuss how Keynes reformulates the quantity theory of money. 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) Multiplier-accelerator interaction theory of trade cycle

(ii) Product market and money market

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