

3 (Sem-2) ECO M 2

2014

Bijni College Library
P.O. Bijni, Dist. Chirang
(B.T.A.D.) Assam

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 product market?
- (b) Define the term 'liquidity preference'.
- (c) Fill in the blank :
The cash balance approach of the quantity theory of money emphasized on — function of money.
- (d) Mention one limitation of the monetary theory of trade cycle.
- (e) What is meant by cash-push inflation?

Library
Christiana College

- (f) How will the LM curve shift when the central bank follows an expansionary monetary policy?
- (g) Mention the different phases of business cycle.
- (h) Define 'IS curve'.
- (i) Point out one difference between transaction approach and cash balance approach of the quantity theory of money.
- (j) What does 'R' mean in Pigou's equation of Cambridge cash balance approach?

2. Answer the following questions in brief :

2×5=10

- (a) Mention two limitations of Fisher's quantity theory of money.
- (b) Why does IS curve slope downward?
- (c) Point out the difference between recovery and recession.
- (d) Mention two properties of LM curve.
- (e) What is Philips' curve?

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

- (a) What is the effect of an increase in government spending on IS-LM model?
- (b) Discuss briefly how Hawtrey explained the factors behind trade cycle.
- (c) Examine the superiority of the Keynesian reformulated quantity theory of money over the traditional quantity theory of money.
- (d) Explain briefly the concept of inflationary gap.
- (e) Distinguish between product market and money market.
- (f) Explain briefly the basic characteristics of a business cycle.

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

- (a) 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
- (b) Explain the multiplier-accelerator interaction theory of trade cycle. 10

(4)

- (c) Distinguish between cost-push inflation and demand-pull inflation. What measures would you suggest to control demand-pull inflation? $6+4=10$
- (d) Explain the cash balance approach of the quantity theory of money. 10
- (e) Explain the structural theory of inflation. 10
- (f) Discuss how Keynes reformulates the quantity theory of money. 10
- (g) Discuss briefly the IS-LM framework to determine the rate of interest and level of income. 10
- (h) Write short notes on the following : $5+5=10$
- (i) Measures to control trade cycle
 - (ii) Effect of fiscal change on the product market equilibrium

★ ★ ★