

3 (Sem-2) ECO M 2

2015 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 questions : 1×10=10
- (a) What do you mean by the term 'liquidity preference'?
 - (b) What is the condition for equilibrium in the money market?
 - (c) Mention one limitation of the classical approach to the quantity theory of money.
 - (d) What is inflationary gap?
 - (e) Mention one basic difference between monetary theory and multiplier accelerator interaction theory of trade cycle.

- (f) Define 'LM curve'.
- (g) What is meant by demand-pull inflation?
- (h) How will the IS curve shift, when government spending is decreased?
- (i) Mention two important characteristics of a business cycle.
- (j) State the Marshallian cash-balance equation giving the meaning of the variables.

2. Answer the following questions in brief :

$2 \times 5 = 10$

- (a) Distinguish between transaction demand for money and asset demand for money.
- (b) Why does LM curve slope downward?
- (c) Point out the difference between prosperity and depression.
- (d) What condition is required for the LM schedule to be vertical?
- (e) What is the effect of inflation on production?

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

5×4=20

- (a) Examine proportionality between the quantity of money and the general price level using Fisherian equation of exchange.
- (b) Explain briefly the concept of 'liquidity trap'.
- (c) Comment on the relationship between elasticity of LM curve and relative efficiency of fiscal and monetary policy.
- (d) Distinguish between cost-push inflation and demand-pull inflation.
- (e) Discuss briefly how Hicks explained the factors behind trade cycle.
- (f) Outline the 'structuralist view on inflation'.

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

10×4=40

- (a) How is the LM curve affected by the change in the money supply and the demand for money? Show it graphically. 10
- (b) How does interaction between multiplier and accelerator lead to economic expansion and then to depression? 10

- (c) Compare between Fisher and Cambridge versions of the quantity theory of money. Which one is superior and why? 6+4=10
- (d) Explain the nature of 'cost-push' inflation. What measures would you suggest to control such inflation? 5+5=10
- (e) Define and explain the speculative demand for money. Why is the speculative demand for money interest-elastic? 6+4=10
- (f) "Trade cycle is a purely monetary phenomenon." Explain critically. 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) Measures to control trade cycle
 - (ii) Product market and money market
