

**2 0 1 4**

( 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

- (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

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

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 : 4×4=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

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