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5 SEM TDC ECO M 4

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(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

- (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?

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

- (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?

$7 + 4 = 11$