

2025

( NEP-2020 )

( 4th Semester )

**ECONOMICS (MAJOR/MINOR)****( Macroeconomics—II )***Full Marks : 75**Time : 3 hours**The figures in the margin indicate full marks for the questions***( SECTION : A—OBJECTIVE )***( Marks : 10 )*

Tick (✓) the correct answer in the brackets provided :

1×10=10

1. High-powered money is also known as

- (a) base money ( )                      (b) reserve money ( )  
 (c) narrow money ( )                      (d) All of the above ( )

2. Fisher's cash transaction equation is expressed as

- (a)  $P = \frac{MV}{T}$  ( )                      (b)  $K = \frac{M}{PT}$  ( )  
 (c)  $V = \frac{I}{K}$  ( )                      (d)  $P = \frac{M}{KT}$  ( )

3. The Reserve Bank of India (RBI) was established on

- (a) 1st April, 1925 ( )  
 (b) 1st April, 1935 ( )  
 (c) 1st April, 1945 ( )  
 (d) 1st April, 1955 ( )

4. Cash Reserve Ratio is
- (a) the proportion of money RBI lends to commercial banks ( )
  - (b) the proportion of total deposits commercial banks keep as reserves with RBI ( )
  - (c) the total proportion of money that commercial banks lend to the customers ( )
  - (d) All of the above ( )
5. According to Keynes, in order to fight depression, stabilization policy should include
- (a) high rate of taxation ( )
  - (b) high interest rate ( )
  - (c) increased public expenditure ( )
  - (d) All of the above ( )
6. "Trade cycle is purely a monetary phenomenon." Who made this statement?
- (a) Keynes ( )
  - (b) Hawtrey ( )
  - (c) Hansen ( )
  - (d) Hicks ( )
7. If inflation is allowed to continue without any check, it is known as
- (a) suppressed inflation ( )
  - (b) normal inflation ( )
  - (c) open inflation ( )
  - (d) deflation ( )
8. Which people are most likely to gain during inflation?
- (a) Those living on pension ( )
  - (b) Those living on their savings ( )
  - (c) Those who are repaying borrowed money ( )
  - (d) Those who have left money ( )
9. Value of money is
- (a) directly related to the price level ( )
  - (b) inversely related to the price level ( )
  - (c) proportionately related to the price level ( )
  - (d) All of the above ( )
10. Bank rate is
- (a) the rate of interest charged by banks on their loans ( )
  - (b) the rate of interest paid by banks on deposits ( )
  - (c) official discount rate at which the Central Bank rediscount approved bills of the commercial banks ( )
  - (d) the interest paid by commercial banks to their beneficiaries ( )

**( SECTION : B—SHORT ANSWERS )**

( Marks : 15 )

Answer/Write notes on *five* of the following, taking at least *one* from each Unit :

3×5=15

UNIT—I

1. Gresham's law
2. Explain in brief the IS-LM model in economics.

UNIT—II

3. Statutory Liquidity Ratio (SLR)
4. Objectives of monetary policy

UNIT—III

5. Concept of accelerator
6. Internal and external factors affecting business cycles

UNIT—IV

7. Stagflation
8. Distinguish between demand-pull and cost-push inflation.

**( SECTION : C—DESCRIPTIVE )**

( Marks : 50 )

Answer *five* questions, taking at least *one* from each Unit :

10×5=50

UNIT—I

1. What is money? Explain different functions of money. 3+7=10
2. Critically examine cash-balance approach of the quantity theory of money.  
How far is it superior to the traditional approach of the quantity theory of money? 6+4=10

## UNIT—II

3. What is Central Bank? Explain the important functions of the Reserve Bank of India (RBI). 2+8=10
4. Define commercial banks. Discuss the process of credit creation by the commercial banks. 2+8=10

## UNIT—III

5. What are the different phases of business cycles? Suggest suitable measurements to control cyclical fluctuations in the economy. 5+5=10
6. Critically explain Hayek's overinvestment theory of trade cycle. 10

## UNIT—IV

7. What are the major causes of inflation? Discuss the various measures to control inflationary problems in the economy. 4+6=10
8. Define inflation. Explain how Philips curve relates the trade-off between unemployment and inflation in the economy. 2+8=10

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