(6 pages) **Reg. No. :** .....

Code No. : 8479 **Sub. Code : HESM 14**

M.A. (CBCS) DEGREE EXAMINATION, NOVEMBER 2015.

First Semester

Economics

MONETARY ECONOMICS

(For those who joined in July 2012 and afterwards)

Time : Three hours Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer:

1. What is Money?

   (a) currency

   (b) coins

   (c) currency + coins

   (d) cheque

2. According to Friedman the quantity theory is mainly a theory of

   (a) Supply of money (b) demand for money

   (c) both (a) and (b) (d) None of these

3. The supply of money in the economy is controlled by

   (a) commercial bank (b) RBI

   (c) Rate of interest (d) None of these

4. Near Money

   (a) is almost the same thing as money

   (b) is money itself

   (c) is money only in a limited sense

   (d) is not money at all

5. Rapid price rise is called

   (a) Inflation (b) Walking inflation

   (c) Creeping inflation (d) hyper-inflation

6. The Phillips Curve is augmented by

   (a) Money illusion

   (b) Core inflation and supply shocks

   (c) Cyclical demand pressure

   (d) Output gaps

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7. Financial markets are used for trading

(a) both real assets and financial assets

(b) the goods and services produced by firms

(c) securities, such as shares of BSE

(d) All the above

8. The Money Market is ———————— market.

(a) Investment (b) Short term

(c) Liquidity (d) Long-term

9. Which of the following is not the objective of monetary policy?

(a) To ensure economic stability at full employment or potential level of output

(b) To achieve price stability by controlling inflation and deflation

(c) To promote and encourage economic growth in the economy

(d) To mobilise resources for economic development

10. The effects of monetary policy are felt on

(a) tax rates

(b) government spending

(c) interest rates and investment

(d) all the above

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b), each answer should not exceed 250 words.

11. (a) What are the motives for holding money, according to Keynes?

Or

(b) What are the classical approach for demand for money?

12. (a) Explain the assumption for money multiplier.

Or

(b) Write a short note on external value of rupee?

13. (a) List out the factors responsible for demand-pull inflation.

Or

(b) State the concept of Phillips curve.

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14. (a) Write a note on commercial paper as a money market instrument.

Or

(b) State the objectives of capital market.

15. (a) What is 'neutrality of money' objective of monetary policy?

Or

(b) Can you advocate 'price stability' as the primary aim of monetary policy?

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b), each answer should not exceed 600 words.

16. (a) Bring out the relation between the demand for money and the rate of interest.

Or

(b) Discuss the portfolio selection approach to the speculative demand for money.

17. (a) What is high powered money? How does it affect the supply of money?

Or

(b) Write an essay on composition of money supply in India and state the significance of monetary aggregates.

18. (a) Explain the economic consequences of inflation.

Or

(b) What is inflationary gap? Explain the methods used to close this gap.

19. (a) What do you mean by the term financial markets? What are types of financial markets?

Or

(b) List the financial instruments available to an individual investor in India.

20. (a) How far is the monetary policy effective in dealing with recession and unemployment.

Or

(b) Point out the limitations of monetary policy in less developed countries.

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