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

Code No. : 7465 **Sub. Code : HESM 14**

M.A. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2013.

First Semester

Economics

MONETARY ECONOMICS

(For those who joined in July 2012 and onwards)

Time : Three hours Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer:

1. Classical dichotomy a term introduced, to refer the separation of the monetary theory and value theory by

   (a) J. M. Keynes (b) Milton Friedman

   (c) Don Patinkin (d) Sargent

2. According to Tobin's asset demand for money theory, an increase in the current market yield

   (a) has no effect upon the quantity of bonds or money demanded

   (b) increases the quantity of bonds demanded and decreases the quantity of money demanded

   (c) decreases the quantity of bonds demanded and increases the quantity of money demanded

   (d) increases the quantity of bonds demanded with no change in the quantity of money demanded.

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. As interest rate increases, money supply tends to

   (a) Increase

   (b) Decrease

   (c) Remain constant

   (d) Not related to interest rate

5. Rapid price rise is called

   (a) Inflation (b) Walking inflation

   (c) Creaping inflation (d) Hyper – inflation

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6. Fiscal policy is helpful during

(a) inflation (b) deflation

(c) depression (d) stagflation

7. When financial markets are described as "efficient", they usually refer to their

(a) reliability

(b) use of information

(c) cheapness

(d) allocation of resources

8. The money market is a (an) ________ 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. Monetary policy affects

(a) Inflation only

(b) Output only

(c) Both inflation and output

(d) neither inflation nor output

PART B — ($5 \times 5 = 25$ marks)

Answer ALL questions, choosing either (a) or (b).

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

Or

(b) Explain clearly keynes theory of demand for money.

12. (a) State the determinants of money supply.

Or

(b) What is high powered money?

13. (a) How does an increase in wages cause inflation?

Or

(b) What is inflationary gap?

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14. (a) Describe the characteristics of the Indian money market.

Or

(b) State the objectives of capital market.

15. (a) What is meant by price stability and full employment?

Or

(b) Why is monetary policy ineffective in times of depression?

PART C — ($5 \times 8 = 40$ marks)

Answer ALL questions, choosing either (a) or (b).

16. (a) The essence of Keynesian money demand analysis lies in speculative demand for money. Discuss.

Or

(b) Analyse the Baumol's inventory theoretic approach.

17. (a) Bring out the main components of money supply.

Or

(b) Explain clearly the process of deposit expansion through the operation of credit multiplier.

18. (a) How Phillips curve explain the trade off between inflation and unemployment?

Or

(b) Explain the economic consequences of inflation.

19. (a) What are the functions of a sound financial system?

Or

(b) Explain the main segments of capital market.

20. (a) What are the monetary targets? Which is the most effective monetary target?

Or

(b) Money supply and rate of interest. Which of these monetary targets is better and why?

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