

BACHELOR OF ARTS EXAMINATION, 2025

ECONOMICS

2nd Year, 2nd Semester

Subject Code : ARTS/ECON/UG/MAJOR/TH/22/202

MACROECONOMICS II

Time : Two Hours

Full Marks : 30

CO1 (Answer any one question)

10

1. (a) How do the three versions of quantity theory of money differ from one another? What is the link between the Cambridge version and the Fisher's version of quantity theory of money? 3
(b) In Jorgenson's neo-classical structure clearly explain the effects of the following changes on the level of optimal investment : 7
 - (i) An increase in internal funds
 - (ii) A decrease in inflation
2. (a) Clearly explain the changes on Keynesian transaction demand for money that was brought about by Baumol's inventory theoretic approach. 5

CO2 (Answer any one question)

7

3. (a) The current cash-reserve ratio is 4% and Statutory Liquidity ratio is 16%. Bank A has a total demand and time liabilities of Rs. 10,000,00, total reserve: Rs. 60,000 and gold: Rs. 20,000. Explain how the bank can meet the Statutory Liquidity Ratio (SLR) requirements. 3.5
(b) Why indicator variables are required in monetary policy? What are the desirable properties of indicator variables? Explain your answer. 3.5
4. (a) What do you understand by monetisation of budget deficit? Clearly explain why it is inflationary. 4
(b) Define M_0 , and M_1 , Express M_2 , M_3 , M_4 in terms of M_0 , and M_1 . 3

CO3 (Answer any one question)

7

5. What do you understand by asset transformation function of a bank intermediary? Explain your answer. 5

6. Explain the brokerage function of a bank intermediary. 5

CO4 (Answer any one question) 8

7. Explain the effects of an increase in the savings rate and a decrease in the population growth rate on the equilibrium values of capital labour ratio and level of output in Solow growth model. 8

8. Derive the equilibrium with technical progress in the solow growth model. What will be the effect of a lower rate of population growth and higher level of technical progress in this model? 4 + 4
