

Indian Institute of Technology, Kharagpur

Date _____ FN/AN Time: 3 hours Full Marks: 50 No of Students: 30 (approx)

End Spring Semester 2012 Deptt: HSS

Sub No: HS31082

5-Year Integrated M.Sc in Economics

Sub Name: **Monetary Economics**

Answer all Questions.

Q1. "Interest rate and transaction cost are the dominant factors for determination of transaction demand for money". Justify this statement in a theory of demand for money framework.

[10 Marks]

Q2. "Tobin's portfolio model is an extension of Keynesian theory of demand for money". Do you agree with this statement? Justify your view.

[10 Marks]

Q3. (i) Monetarists approach on demand for money is a reductionist approach. Justify this statement.

(ii) Explain the Buffer stock demand for money.

[5+5=10 Marks]

Q4. Write short notes on the following items:

(i) H-theory of money supply

(ii) Money multiplier process

(iii) Deposit and credit multiplier

(iv) Risk of default in bank credit financing

[2.5 x 4=10 Marks]

Q5. Explain the different channels of monetary transmission mechanism and try to analyse which channel has been more effective with respect to India in the recent years.

[10 Marks]