Use separate answer book for each half.

B.A. (Honours) Examination, 2015

Part – III

Economics

Paper – VI

(For Back Candidates only)

Time: 4 Hours **Full Marks: 80**

Questions are of value as indicated in the margin.

Answer ***six*** questions taking ***three*** from each half.

First Half

(Money and Banking)

1. Discuss the impact of an increase in money supply on the rate of interest and level of income. 13⅓
2. Explain the quantitative and qualitative methods of credit control adopted by a central bank. Which method is better for an underdeveloped country? 4+4+5⅓
3. Critically examine the quantity theory of money. Does an increase in money supply always lead to a proportionate increase in prices? Discuss. 8+5⅓
4. Define high-powered money. Explain the concept of money multiplier and discuss the factors influencing the determinants of money multiplier. 13⅓
5. The liabilities of the non-bank financial intermediaries are generally regarded as close substitute for money balances and as such their existence render monetary policy ineffective. – Explain this statement. 13⅓
6. Discuss briefly the nature of corporate securities. Examine different situation in which a joint stock company may prefer one form of securities to others.

Second Half

(Public Finance)

1. (a) From the viewpoint 'efficiency' and 'fairness' compare and contrast between the 1^{st} and 2^{nd} welfare theorem.
   (b) Under what circumstances, does the market fail? 10+3⅓
2. (a) Distinguish between private and public good.
   (b) Derive the Samuelson condition for optimal provision of public good.
   (c) Does the optimal provision of public good take place even with 'voluntary contribution model'? 3⅓+4+6
3. (a) Zero pollution is not socially desirable – justify the statement.
   (b) Show that by either Pigouvian tax or Pigouvian subsidy the problem of negative externality can be solved. 3⅓+(5+5)

P.T.O.

4. (a) Critically analyse the income redistribution model of 'Simple Utilitarianism' emphasizing on its assumptions and results.

   (b) As a social planner would you like to go for cash transfer or in-kind transfer – justify your answer. 6+7⅓

5. Measure the amount of excess burden on: 8+5⅓

   (a) Unit tax (b) Unit Subsidy

6. Write short notes on: 6+7⅓

   (a) Coase Theorem and (b) Positive Externality