

D 102005

(Pages : 5)

Name.....

Reg. No.....

**SECOND SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, APRIL 2024**

(CBCSS)

Economics

ECO2C06—MACRO ECONOMICS : THEORIES AND POLICIES-II

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

Part A*Multiple Choice Questions.**Answer all questions.**Each question carries 1/5 weightage.*

1. According to classical theory, if there is a decrease in aggregate demand, the economy will adjust through :
 - (a) Changes in wages and prices to restore full employment.
 - (b) Expansionary monetary policy to stimulate output and employment.
 - (c) Government intervention and fiscal stimulus measures.
 - (d) Decreases in labor supply and productivity.
2. The real business cycle model suggests that government interventions to stabilize the economy, such as countercyclical fiscal policy, may :
 - (a) Magnify economic fluctuations.
 - (b) Help smooth out economic fluctuations.
 - (c) Have no impact on economic fluctuations.
 - (d) Create distortions in resource allocation.
3. New Political Macroeconomics suggests that the design of economic policies should take into account :
 - (a) Short-term political considerations.
 - (b) International economic conditions.
 - (c) Long-term economic growth objectives.
 - (d) Technological advancements.

Turn over

4. Keynes advocated for the establishment of :
 - (a) An international monetary fund to stabilize exchange rates.
 - (b) Bilateral trade agreements to promote economic growth.
 - (c) Capital controls to manage international capital flows.
 - (d) Regional economic unions for enhanced cooperation.
5. The expectations-augmented Phillips curve suggests that in the long run? the P_{Phill}
 - (a) Shifts upward due to changes in inflation expectations.
 - (b) Becomes steeper as wage rigidities become more pronounced.
 - (c) Becomes flatter as the economy reaches full employment.
 - (d) Becomes irrelevant as market forces determine inflation and unemployment.
6. In New Keynesian economics, price and wage rigidities are typically attributed to:
 - (a) Imperfect information and bounded rationality.
 - (b) Volatility in aggregate demand shocks.
 - (c) Market power and monopolistic competition.
 - (d) Government regulations and intervention.
7. One of the main arguments in favor of central bank independence is that it :
 - (a) Allows for greater discretionary power of policymakers.
 - (b) Enhances democratic decision-making processes.
 - (c) Reduces the likelihood of political manipulation of monetary policy.
 - (d) Creates barriers to international trade and investment.
8. A decrease in the price of imported raw materials would generally lead to :
 - (a) A rightward shift in aggregate demand.
 - (b) A leftward shift in aggregate demand.
 - (c) A rightward shift in aggregate supply.
 - (d) A leftward shift in aggregate supply.

9. Monetarists argue that the appropriate policy response to the Great Depression would have been :
- (a) Expansionary fiscal policy to boost government spending.
 - (b) Tight monetary policy to control inflationary pressures.
 - (c) Deregulation and market-oriented reforms.
 - (d) Currency devaluation to stimulate export-led growth.
10. The rational expectations hypothesis gained prominence during the :
- (a) 1930s, in response to the Great Depression.
 - (b) 1950s, with the development of Keynesian economics.
 - (c) 1970s, amidst high inflation and macroeconomic instability.
 - (d) 1990s, with the rise of behavioral economics.
11. The Lucas critique argues that policymakers should consider the :
- (a) Long-term impacts of their policy decisions.
 - (b) Feedback effects of policy changes on individuals' expectations.
 - (c) Distributional effects of policy interventions.
 - (d) International spill over effects of domestic policies.
12. According to the implicit wage contract model, wage adjustments are often :
- (a) Frequent and flexible, responding to changes in market conditions.
 - (b) Based on the profitability of the firm.
 - (c) Tied to the inflation rate and cost of living adjustments.
 - (d) Determined by individual employee productivity levels.
13. The Keynesian resurgence emphasized the role of :
- (a) Monetary policy in stabilizing the economy.
 - (b) The government in controlling the money supply.
 - (c) Expectations and forward-looking behavior of economic agents.
 - (d) Government spending and fiscal stimulus measures.

Turn over

14. One of the key goals of supply-side macroeconomics is to :
- (a) Achieve full employment in the short run.
 - (b) Stabilize prices and inflation rates.
 - (c) Enhance long-term economic growth.
 - (d) Reduce income inequality.
15. The monetary approach to the balance of payments argues that a current account attributed to :
- (a) Excessive government borrowing.
 - (b) Inflationary pressures in the domestic economy.
 - (c) An expansionary monetary policy that increases money supply.
 - (d) A decline in export competitiveness.

(15 × 15 =

Part B (Very Short Answer Questions)

Answer any five questions.

Each question carries a weightage of 1.

- 16. Define Nominal rigidities.
- 17. What is the political-economic model ?
- 18. State Say's Law.
- 19. What is the Lucas' critique ?
- 20. Define Stagflation.
- 21. According to monetarists, what is the role of the money supply ?
- 22. What are Sticky Wages ?
- 23. Define Hysteresis.

(5 × 1 =