SECOND SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2022

April 2021 Session for SDE/Private Students

(CBCSS)

Economics

ECO 2C 06—MACRO ECONOMICS : THEORIES AND POLICIES—II

(2019 Admission onwards)

Maximum : 30 Weight

Time : Three Hours

General Instructions

Covid Instructions are not applicable for SDE/Private students

1. *In cases where choices are provided, students can attend all questions in each section.*

2. *The minimum number of questions to be attended from the Section/Part shall remain the sar*

3. *The instruction if any, to attend a minimum number of questions from each sub section/sub pc sub division may be ignored.*

4. *There will be an overall ceiling for each Section/Part that is equivalent to the maximum weight of the Section/Part.*

Part A (Multiple Choice Questions)

Answer all questions.

Each question carries 1/5 weightage.

1. The economic agents form expectations of the future values of economic variables like prices, inc etc. by using all the economic information available to them, is the idea behind :

    a) Adaptive expectation.   b) Rational expectations.

    c) Both (a) and (b).   d) None of these.

2. The bottom level unemployment that an economy can handle without causing inflation :

    a) Natural Rate of unemployment.   b) NAIRU.

    c) Disguised unemployment.   d) Involuntary unemployment.

3. When the deficit on current account is persistent, then the domestic country is :

    a) Acquiring foreign assets.   b) Selling foreign assets.

    c) Quit from international market.   d) None of the above.

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An effective macroeconomic policy according to Keynes is :

a) Fiscal Policy.

b) Monetary Policy.

c) Both fiscal and monetary policy.

d) Neither fiscal nor monetary policy.

The terms 'inside' money and 'outside' money were introduced by :

a) Milton Friedman and J. Tobin.

b) A. C. Pigou and D. Patinkin.

c) J. G. Gurley and E. S. Shaw.

d) J. R. Hicks and A. Hansen.

The Real GNP increases, *ceteris paribus*, when there is :

a) An increase in the price level.

b) An increase in the output.

c) An increase in price level and / or output.

d) All of the above.

The Re-statement of Quantity Theory of Money is a :

a) Theory of interest rate.

b) Theory of income determination.

c) Theory of demand for money.

d) Theory of supply of money.

Say's law will not operate under conditions of :

a) Barter economy.

b) Money economy.

c) Equality of saving and investment.

d) Inflexible wages and prices.

Liquidity trap is a situation when demand for money is :

a) Zero elastic.

b) Unit elastic.

c) Perfectly elastic.

d) Relatively more elastic.

The size of the Money Multiplier is larger, when :

a) Less interest elastic is demand for money.

b) More interest elastic is demand for investment.

c) Both (a) and (b) True.

d) Neither (a) nor (b) True.

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which of the following is not an essential characteristic of business cycle ?

a) Recurrent nature.

b) Cumulative in effect.

c) Regular.

d) All pervading in their impact.

which of the following groups will not be hurt by inflation ?

a) Individuals on fixed incomes.

b) Borrowers at fixed interest rates.

c) Retail store owners.

d) Lenders at fixed interest rates.

which year does William Nordhaus received the Nobel Prize in economics ?

a) 2019.

b) 2017

c) 2016.

d) 2018.

business cycle fluctuations to a large extent can be accounted for by real shocks are mainly provocated by :

a) Classical school.

b) Keynesian school.

c) New Classical school.

d) New Keynesian school.

The relationship between value of money and general price level is :

a) Direct.

b) Indirect.

c) Inverse.

d) Proportional.

$(15 \times 1/5 = 3 \text{ weightage})$

Part B (Very Short Answer Questions)

Answer any **five** *questions.*
Each question carries 1 weightage.

Define classical dichotomy.

Write a note Lucas' surprise supply function.

Adaptive Expectation Hypothesis.

Pinkin's real balance effect.

Inter-relationship between supply shocks and stagflation.

Distinguish between natural rate of unemployment and NAIRU.

Turn over

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22. Distinguish the opportunistic and partisan model.

23. What is meant by political business cycles ?

Part C (Short Answer Questions)

*Answer any **seven** questions.*
Each question carries 2 weightage.

24. Examine Nordhaus opportunistic model ?

25. Explain monetarist approach to inflation.

26. Describe the Kaldor's theory of business cycle.

27. Bring out the role of Government in maintaining economic stability.

28. Explain the policy implications of classical equilibrium model.

29. Briefly describe the highlights of classical revolution.

30. Explain the features of supply side economics ?

31. Explain Hibbs Partisan model.

32. Describe inflation unemployment trade-off.

33. Firms are hesitant to change their prices until there is a sufficient disparity between the current price and the equilibrium market price". Elucidate.

$(7 \times 2 = 14$ we

Part D (Essay Questions)

*Answer any **two** questions.*
Each question carries 4 weightage.

34. Critically evaluate the policy implications of politico-economic models.

35. Examine the recent advances in macroeconomics in the analysis of inflation-unemployment off.

36. Critically examine Friedman's re-statement of quantity theory of money.

37. Critically examine the policy implications of the Classical Equilibrium model.

$(2 \times 4 = 8$ w

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