FOURTH SEMESTER B.A. DEGREE (SUPPLEMENTARY/IMPROVEMENT) EXAMINATION, MAY 2016

(UG—CCSS)

Core Course—Economics

EC 4B 06—MACRO-ECONOMICS—II

Time : Three Hours

Maximum : 30 Weightage

I. Objective Type Questions. Answer all *twelve* questions.

(A) Multiple choice questions :

1 The percentage rate of increase in the economy's average level of prices.

    (A) Deflation rate.   (B) Inflation rate.

    (C) GDP growth rate.   (D) Disinflation rate.

2 Liabilities of NBFI :

    (A) Near money.   (B) New money.

    (C) Neo money.   (D) Electronic money

3 The doctrine according to which changes in money supply are the primary cause of economic fluctuations, implying that a stable money supply would lead to a stable economy.

    (A) Fiscalism.   (B) Monetarism.

    (C) Classicism.   (D) Keynesianism.

4 The average number of times per year that the money stock is used in making payments for final goods and services.

    (A) Price index.   (B) Real GDP.

    (C) Nominal GDP.   (D) Velocity of money.

(B) Fill in the blanks :

5 ——— occurs when financial institutions do not allow households to borrow as much as they wish, even though there is sufficient expected future income to repay the loans.

6 ——— is the system in which the foreign exchange rate is free to change everyday.

7 ——— is very rapid inflation, sometimes defined as a rate of more than 22 per cent per month, or 1000 per cent per year or more.

8 ———— is the number of percentage points of a year's real GDP that must be foregone to reduce inflation by one point.

C. Name the following:

9 The record of a nation's international transactions, both credits (which arise from sales of exports and sales of assets) and debits (which arise from the purchases of imports and purchases of assets).

10 The prediction that a one percentage point increase in the expected inflation rate will raise the nominal interest rate by one percentage point, leaving the real expected interest rate unaffected.

11 Purchases and sales of government bonds made by the central bank in order to change high-powered money.

12 The ratio of the number unemployed to the number in the labour force, expressed as a percentage.

(12 × ¼ = 3 weightage)

II. Short Answer Type Questions. Answer all *nine* questions.

13 Distinguish between inside money and outside money.

14 What is money supply ?

15 What is meant by Stagflation ?

16 Define liquidity preference and explain briefly its components.

17 Distinguish between WPI and CPI.

18 What is Philips Curve ?

19 Distinguish between debit card and credit card.

20 What are the instruments of Fiscal policy ?

21 Explain the Fisher's equation of exchange and its relevance in classical theory.

(9 × 1 = 9 weightage)

III. Short Essay or Paragraph Questions. Answer any *five* questions from *seven*.

22 Distinguish between inflation and reflation.

23 Explain the algebra of IS and LM curves in a four sector economy.

24 'Trade cycle is a purely monetary phenomenon.' Comment.

25   Define money and explain its functions.

26   Prepare a note on contemporary inflation in India.

27   Distinguish between Cost push and demand pull inflation.

28   Explain Okun's law.

(5 × 2 = 10 weightage)

IV.   Essay Questions. Answer *two* questions from *three*.

29   Define Business Cycle and explain its phases. Examine the relative strength of fiscal and monetary policies as contra cyclical weapons.

30   Explain different types of inflation and unemployment. Illustrate the short-run tradeoff between inflation and unemployment.

31   Explain the liquidity preference theory. Examine how far competent is it as theory of demand for money.

(2 × 4 = 8 weightage)