

C 4816

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Name.....

Reg. No.....

SECOND SEMESTER M.A. DEGREE EXAMINATION, JUNE 2016

(CUCSS)

Economics

ECO 2C 06—MACRO ECONOMICS THEORIES AND POLICY—II

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A

Multiple Choice Questions.

Answer all questions.

Each carries $\frac{1}{4}$ weightage.

1. The amount that households can actually purchase given the quantity constraint on their sales of labour is called.
 - (a) Market demand.
 - (b) Notional demand.
 - (c) Effective demand.
 - (d) Market clearing demand.
2. The term *notional demand* was coined by :
 - (a) Walras.
 - (b) Leijvonhuvd.
 - (c) Clower.
 - (d) Lucas.
3. The natural rate of unemployment equal the sum of those who are :
 - (a) Structurally unemployed.
 - (b) Frictionally and cyclically unemployed.
 - (c) Frictionally unemployed.
 - (d) Frictionally and structurally unemployed.
4. At the natural rate of unemployment, Phillips curve becomes :
 - (a) Vertical.
 - (b) Downward sloping flat.
 - (c) Horizontal.
 - (d) Downward sloping steep.
5. The unemployment which arises when the real wage rate is greater than the market clearing real wage is termed as :
 - (a) Keynesian Unemployment.
 - (b) Classical Unemployment.
 - (c) Repressed Inflation.
 - (d) Structural Unemployment.

Turn ov

6. When there is excess supply in the labour market ?
- (a) Firms are rationed.
 - (b) Households are rationed.
 - (c) Neither household nor firms are rationed.
 - (d) Both households and firms are rationed.
7. The non-market clearing state when there is excess supply in both goods and labour market is :
- (a) Keynesian Unemployment.
 - (b) Classical Unemployment.
 - (c) Repressed Inflation.
 - (d) Any of these.
8. The excessive expansion of the money supply is inherently inflationary, and that monetary authorities should focus solely on maintaining price stability, is the argument of :
- (a) Keynesians.
 - (b) Post Keynesians.
 - (c) Monetarists.
 - (d) New Classicalists.
9. If the domestic currency is moved to a higher parity in terms of vehicle currency, under fixed exchange system, it is called :
- (a) Appreciation.
 - (b) Depreciation.
 - (c) Revaluation.
 - (d) Devaluation.
10. A steady state unemployment rate above which inflation would fall and below which inflation would rise :
- (a) Natural rate of unemployment.
 - (b) NAIRU.
 - (c) Actual unemployment.
 - (d) Expected unemployment.
11. The concept of inflationary gap was given by :
- (a) A. C. Pigou.
 - (b) J. M. Keynes.
 - (c) Milton Friedman.
 - (d) James Tobin.
12. Which of the following statement is true about the New Keynesian beliefs ?
- (a) Prices are flexible in the short run.
 - (b) Prices are rigid in the short run due to transaction cost.
 - (c) New technology is the main cause of business cycle.
 - (d) Consumers do not behave according to rational expectation.

(12 × ¼ = 3 weightage)

Part B (Very Short Answer Questions)

Answer any five questions.

Each carries 1 weightage.

13. What is Okun's law ?
14. Define NAIRU.
15. State Walras' law.
16. Long run Phillips.
17. Cost of Inflation.
18. Involuntary unemployment.
19. Stagflation.
20. Supply shock.

(5 × 1 = 5 weightage)

Part C (Short Answer Questions)

Answer any eight questions.

Each carries 2 weightage.

21. Explain DMP model.
22. Describe Samuleson's theory business cycle.
23. Explain Lucas's critique.
24. Describe policy implications of supply side economics.
25. Explain DSGE model.
26. Explain Dual decision hypothesis.
27. Derive the Fixed price Neo-Keynesian model.
28. Describe Mundell-Fleming model.
29. Examine the impact of monetary policy when the exchange rate system, is fixed.
30. Describe Rational Expectation hypothesis.
31. Distinguish between devaluation and depreciation.

(8 × 2 = 16 weightage)

Turn over

Part D

*Answer any **four** questions.*

Each carries 3 weightage.

32. Explain the models of new Keynesian economics.
33. Evaluate the effectiveness of monetary and fiscal policies in the context of an open economy ISLM model.
34. Critically examine the inconsistencies in the Keynesian economics pointed out by Clower and Neo-Keynesians.
35. Examine the theories of business cycle in the aftermath of global crisis.
36. Compare and contrast Keynesian and neo-classical labour market equilibrium.

(4 × 3 = 12 weightage)