

C 24204

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Name.....

Reg. No.....

SECOND SEMESTER M.A. DEGREE EXAMINATION, JUNE 2017

(CUCSS)

Economics

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

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A (Multiple Choice Questions)

Answer all questions.

Each carries ¼ weightage.

1. Who among the following is the first to develop an economic model of business cycles ?
 - (a) J.B. Clarck.
 - (b) Clement Juglar.
 - (c) Rober Barro.
 - (d) J.M. Keynes.
2. Who among the following is associated with 'the fooling model' ?
 - (a) John Muth.
 - (b) Arthur Laffer.
 - (c) Milton Friedman.
 - (d) Robert Clive.
3. The exchange rate that is determined freely by the demand for and the supply of foreign exchange without any official intervention is called :
 - (a) Dirty Float.
 - (b) Managed Float.
 - (c) Snake in the Tunnel.
 - (d) Clean Float.
4. Expectation formed on the basis of all the available information is :
 - (a) Adaptive Expectation.
 - (b) Rational Expectation.
 - (c) Myopia.
 - (d) Monetary surprise.
5. Who among the following pointed that even in the short run there is no trade off between inflation and unemployment ?
 - (a) Gregory Mankiw.
 - (b) A.W. Philips.
 - (c) R.G. Lipsey.
 - (d) Robert Lucas.

Turn over

6. Marshal - Lerner conditions stipulates that for the devaluation to be successful in correcting the disequilibrium in Balance of Payments of a country, the sum of elasticities of export and import must be :
- (a) Equal to one.
 - (b) Greater than one.
 - (c) Less than one.
 - (d) Either greater than or less than unity.
7. The proposition that tax revenue would be zero if the tax rate is 100 percent is associated with :
- (a) Paul Roamer.
 - (b) Gregory Mankiw.
 - (c) Arthur Laffer.
 - (d) Kevin Lancaster.
8. Who among the following is associated with the quantity constrained models in Macroeconomics ?
- (a) Lucas.
 - (b) Lipsey.
 - (c) J.B. Say.
 - (d) Barrow and Grossman.
9. Who among the following is considered to be the first to originate the concept of rational expectation ?
- (a) Edmund Phelps.
 - (b) John Muth.
 - (c) Robert Lucas.
 - (d) Thomas Sargent.
10. The natural rate hypothesis of unemployment is associated with :
- (a) Robert C King.
 - (b) D.H. Robertson.
 - (c) Paul Roamer.
 - (d) Milton Friedman.
11. The inability of a variable to return to its original level after being shocked away from that original level, is called :
- (a) Random Walk.
 - (b) Hysteresis.
 - (c) Staggering.
 - (d) Myopia.
12. Staggered Contracts are responsible for price rigidity is related to which of the following school of economics :
- (a) New classical Economics.
 - (b) Neo-classical Economics.
 - (c) New - Keynesian Economics.
 - (d) Supply side Economics.

Part B (Very Short Answer Questions)

*Answer any **five** questions.*

Each carries 1 weightage.

13. What do you mean by adaptive expectation ?
14. What are the factors responsible the business cycle according to RBC Model ?
15. What is Okun's Law.
16. What is meant by inflation targeting ?
17. Write a note on DGSE Model.
18. What are nominal and real rigidities ?
19. What is meant by stagflation ?
20. What is Natural Rate Hypothesis ?

(5 × 1 = 5 weightage)

Part C (Short Answer Questions)

*Answer any **eight** questions.*

Each carries 2 weightage.

21. Briefly explain the real business cycle theory.
22. Explain Samuelson's theory of business cycle.
23. Elucidate how does market clearing occur in Neoclassical labour market.
24. Explain the search theory of unemployment.
25. Explain the tenets of supply side economics.
26. Critically explain the Kaldor's theory of business cycle.
27. Briefly explain the structuralist theory of inflation.
28. Explain Clower's dual decision hypothesis.
29. Explain what is augmented Philips curve.
30. Briefly explain the financial instability theory of Minsky.
31. Explain the major propositions of Monetarism.

(8 × 2 = 16 weightage)

Part D

*Answer any **four** questions.*

Each carries 3 weightage.

32. Explain the Mundell - Fleming model and explain the effectiveness of fiscal and monetary policy under perfect capital mobility.
33. Critically examine Malinvaud's rationing theory.
34. Critically examine the basic propositions of New Classical Economics.
35. Critically explain various types of Philips curve and also examine.
36. Explain the features of Keynesian labour market and also examine the existence of involuntary unemployment in labour market.

(4 × 3 = 12 weightage)