C 42628 (Pages : 4) Name...

Reg. No.....................................

SECOND SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2023

(CBCSS)

Economics

ECO 2C 06—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. *Ceteris paribus*, quantity of money in Fisher's approach has :

    a) Direct proportional relationship with price level.

    b) Indirect proportional relationship with value of money.

    c) Inverse proportional relationship with price level .

    d) No relationship with value of money.

2. What is the value of the investment multiplier K, in equation $\Delta Y = \Delta C + \Delta S$, where $\Delta C = 150$; and $\Delta S = 50$?

    a) 2. b) 4.

    c) 1. d) 2.5.

3. Which element is not assumed to be constant in the equation $p = mv + m'v'/T$?

    a) p. b) v.

    c) m. d) T.

4. The Keynesian aggregate supply curve, In the long run, is :

    a) Downward sloping becos product prices are fixed.

    b) Upward sloping becos factor prices are fixed.

    c) Vertical becos rate of unemployment is fixed.

    d) Horizontal becos the price level is fixed. **Turn over**

5. The demand for money is infinitely interest elastic, then effectiveness of an expansionary monetary policy is :

    a) The highest.   b) Moderate.

    c) Very low.   d) Zero.

6. Portfolio theory of demand for money assumes that the individual :

    a) Disregards risk.   b) Is risk neutral.

    c) Is risk lover.   d) Is risk averter.

7. Which of the following statement is correct ?

    a) A variable is endogenous when its value is determined by forces outside the model.

    b) A change in an exogenous variable is classified as an autonomous change.

    c) A variable is exogenous when its value is determined by forces within the model.

    d) A variable is autonomous when its value is determined by forces within the model.

8. Bottle-neck inflation is a situation that sets in :

    a) After the point of full employment.

    b) Before the point of full employment.

    c) After imposing price controls.

    d) During war period.

9. Political signal in demand management, output and inflation movements originating with shifts in party control of the government was mainly advocated by :

    a) New classical.   b) Nordhaus model.

    c) Partisan theory.   d) None of the above.

10. If supply of money falls short of demand for money, the country will have :

    a) BOP surplus.   b) BOP deficit.

    c) BOP equilibrium.   d) BOP neither surplus nor deficit.

11. A persistent deficit on current account means, the domestic country is :

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

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

12. The severity of recession is known as :

    a) Prosperity.
    b) Recession.
    c) Economic slow-down.
    d) Depression.

13. The idea that the output depends on the difference between the actual price level and the expected price level :

    a) Lucas' supply function.
    b) Efficiency wage theory.
    c) Neoclassical supply curve.
    d) Keynesian supply curve.

14. Under Keynesian cross model, rate of interest is :

    a) Exponential variable.
    b) Endogenous.
    c) Exogenous.
    d) Stock variable.

15. In the classical theory, an increase in money supply leads to :

    a) Decrease in price level.
    b) Increase in savings.
    c) Decrease in investment.
    d) Increase in price level.

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

Part B (Very Short Answer Questions)

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

16. What is small menu cost model ?

17. State long run Phillips Curve.

18. Distinguish between monetarism and fiscalism.

19. Bring out the properties of New Classical economics.

20. State Keynesian policy conclusion on depression.

21. Briefly explain expectation augmented Philips curve.

22. What do you mean by crowding out phenomenon ?

23. What is Nordhaus opportunistic model ?

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

Turn over

Part C (Short Answer Questions)

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

24. How to pay for war ? Substantiate your arguments.

25. Explain the policy implications of supply side economics.

26. Distinguish between Inside money and Outside money.

27. How does the economy respond to discretionary policy measures ? Should the Government adopt policies consistent with stable price level ?

28. Discuss the core propositions of Hibbs Partisan model.

29. Explain the phases of trade cycle and growth using multiplier - accelerator interaction model.

30. Explain Lucas' inter-temporal substitution model.

31. What is J-curve effect ? Bring out its implication.

32. The real business cycle approach builds the model that minimizes the role of the monetary sector. Discuss.

33. What are the objectives of macroeconomic policies ?

(7 × 2 = 14 weightage)

Part D (Essay Questions)

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

34. Explain the significance of Keynesian demand and supply management policies amidst political distortions and macroeconomic performance of India.

35. Describe the major postulations and policy implications of New Keynesian economics.

36. Critically examine the contributions of monetarist in solving macroeconomic issues.

37. Evaluate the political economy of debt and deficit. Bring out the role of Government in stabilize the economy.

(2 × 4 = 8 weightage)