

Reg. No. :

K20P 0237

Name :

**II Semester M.A. Degree (CBSS-Reg./Suppl./Imp.) Examination, April 2020
(2014 Admission Onwards)**

**ECONOMICS/APPLIED ECONOMICS/DEVELOPMENT ECONOMICS
EC02C06 : Macroeconomic Theory – II**

Time : 3 Hours

Max. Marks : 60

PART – A

Answer **all** questions. **All** questions carry **equal** marks. Choose the correct answer.

1. An inverted U-shaped graphic relation between tax revenue and tax rate is
 - a) Phillip's curve
 - b) Laffer curve
 - c) Kuznet's curve
 - d) Offer curve
2. Inflation in the economy is measured on the basis of the WPI without considering food and fuel prices
 - a) Headline inflation
 - b) Core inflation
 - c) CPI based inflation
 - d) Hyper inflation
3. The long run relationship between inflation and interest rates is called
 - a) Keynes effect
 - b) Pigou effect
 - c) Fischer effect
 - d) Patinkin effect
4. The tendency of increase in government spending to cause reductions in private investment spending is
 - a) Crowding-in effect
 - b) Crowding-out effect
 - c) Cross subsidization
 - d) Fiscal effect
5. Among the following economists, who is a Keynesian ?
 - a) James Tobin
 - b) Karl Brunner
 - c) Anna Schwartz
 - d) Allan Meltzer

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- 6. The horizontal portion of the LM curve is called
 - a) The classical range
 - b) The Keynesian range
 - c) The intermediate range
 - d) The neo-classical range
- 7. Rational expectation is associated with
 - a) Monetarists
 - b) Keynesians
 - c) New classicals
 - d) Neo-classicals
- 8. For every one per cent increase in the unemployment rate, the growth rate in real GDP falls by about two per cent
 - a) Kuznets' law
 - b) Phillips' curve
 - c) Okun's law
 - d) Paradox of thrift

(8x1/2=4)

PART – B

Answer **any eight** questions. **Each** answer should **not** exceed **half** page.

- 9. Write a note on adaptive expectations.
- 10. What is Real Balance effect ?
- 11. Distinguish between devaluation and depreciation.
- 12. What is J-curve ?
- 13. Write a note on Keynesian unemployment.
- 14. Explain new classical economics.
- 15. What is Okun's law ?
- 16. What do you mean by quantitative easing ?
- 17. Write a note on reflation.
- 18. Write a brief note on insider – outsider models.
- 19. What is hysteresis ?

(8x2=16)

PART – C

Answer **any four** questions. **Each** answer should **not two** and a **half** pages.

20. Explain monetary approach to balance of payments.
21. Briefly narrate Mundell-Fleming model.
22. What are the objectives of macroeconomic policies ?
23. Distinguish between fiscal and monetary policy.
24. Write a brief note on sticky price (menu cost) models.
25. Contrast the new classical and Keynesian views of the way labour markets function. (4×5=20)

PART – D

Answer **any two** questions. **Each** answer should **not** exceed **six** pages.

26. Critically explain Real Business Cycle (RBC) theory.
 27. Explain the major policy prescriptions of supply side economics.
 28. Explain the concept of Phillips curve. Is there any difference between monetarist and Keynesian views of the Phillips curve.
 29. Examine the arguments for and against intermediate targeting of monetary aggregate. (2×10=20)
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