Reg. No. : ....

Name : ....

II Semester M.A. Degree (Reg./Suppl./Imp.) Examination, April 2019
(2014 Admission Onwards)
Economics/Applied Economics/Development Economics
ECO 2C 06 : MACRO ECONOMIC THEORY – II

Time : 3 Hours

Max. Marks : 60

PART – A

Answer **all** questions. **Each** question carries $1/2$ mark.

1. Identify the *incorrect* statement related to NAIRU.

   a) It is an acronym for non-accelerating inflation rate of unemployment

   b) It refers to a level of unemployment below which inflation rises

   c) It was first introduced by Franco Modigliani and Lucas in 1965

   d) It is an improvement over the natural rate of unemployment

2. A hypothesis stating that individuals make investment decisions based on the direction of recent historical data and adjust the data to predict future rates is

   a) Dual decision hypothesis

   b) Relative income hypothesis

   c) Adaptive expectations hypothesis

   d) None of the above

3. Neo-Keynesian quantity-constrained models show

   a) The implications for output and employment of trading at market-clearing prices

   b) The implications for output and employment of trading at non-market-clearing prices

   c) The implications for output and employment of trading fixed prices

   d) None of these

P.T.O.

4. The term *natural rate of unemployment* was introduced by ....

   a) A. W. Phillips

   b) A. C. Pigou

   c) Milton Friedman

   d) Knut Wicksell

5. If investment does not depend on interest rate, the IS curve is

   a) Horizontal

   b) Vertical

   c) Negatively sloped

   d) Positively sloped

6. Who among the following proposed a Dual Decision Hypothesis ?

   a) Keynes

   b) Friedman

   c) Clower

   d) Phillips

7. The pure Keynesian range of the LM curve is

   a) Horizontal part

   b) Vertical part

   c) Intermediate part

   d) All parts of the LM curve

8. J – Curve theory/effect :

   a) States that a country's trade deficit will worsen initially after the depreciation of its currency because higher prices on foreign imports will be greater than the reduced volume of imports

   b) Focuses on the premise that an internal rate of return initially drops until a level of stability is established that allows a particular business or investment to enter into a profitable state

   c) Is often seen in a country's balance of trade and equity fund returns

   d) All the above are correct

$(8 \times \frac{1}{2} = 4)$

PART – B

Answer **any eight** questions. **Each** question carries **2 marks**.

9. Distinguish between depreciation and devaluation.

10. What are the basic features of an open economy ?

11. Why does the LM curve slope upward to the right ?

12. What is meant by Okun's law ?

13. Explain the features of stagflation.

14. Distinguish between fiscal policy and monetary policy.

15. Point out the policy prescriptions of supply-side economics.

16. Explain the significance of Laffer curve in economics.

17. What is income policy ?

18. What do you mean by New Classical Macroeconomics ?

19. What is meant by underemployment equilibrium ?

(8×2=16)

PART – C

Answer **any four** questions. **Each** carries 5 marks.

20. Critically examine the validity of real business-cylce model.

21. *There is full crowding out if LM is vertical* – Substantiate the statement.

22. Examine the instruments of monetary policy.

23. Discuss the neoclassical theory of labour market equilibrium.

24. Explain Natural Rate of Unemployment.

25. Illustrate the effectiveness of monetary and fiscal policies with the help of IS-LM model.

(4×5=20)

PART – D

Answer **any two** questions. **Each** question carries **10** marks.

26. Summarize the contributions of significant macroeconomic schools.

27. Critically examine Walrasian general equilibrium model.

28. Explain Mundell-Fleming model with the help of IS-IM curves.

29. Analyse the problems of uniqueness stability and existence of general equilibrium.

(2×10=20)