



K21P 0682

Reg. No. :

Name :

II Semester M.A. Degree (CBSS – Reg./Suppl. (Including Mercy Chance)/Imp.)
Examination, April 2021
(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 $\frac{1}{2}$ marks.

1. Who among the following proposed a Dual-Decision Hypothesis ?
a) Keynes b) Friedman c) Clower d) Phillips
2. The IS curve will shift to the left when taxes
a) Increase
b) Decline
c) Not imposed
d) Decline and government expenditure increases
3. Who among the following introduced *natural rate of unemployment* ?
a) A. W. Phillips b) A. C. Pigou
c) Milton Friedman d) Knut Wicksell
4. Supply-side economics holds that
a) Increased taxation steadily reduces economic activity within a nation and discourages investment
b) Increased expenditure steadily reduces economic activity within a nation and discourages investment
c) Increased borrowing steadily reduces economic activity within a nation and discourages investment
d) Reduced taxation steadily reduces economic activity within a nation and discourages investment

P.T.O.



5. In the Mundell-Fleming model
- A devaluation shifts LM curve to the right, expands net exports and raises aggregate income
 - A devaluation shifts LM curve to the right, reduces net exports and lowers aggregate income
 - A devaluation shifts LM curve to the left, reduces net exports and lowers aggregate income
 - A devaluation keeps LM curve unchanged
6. Official lowering of the value of a country's currency within a fixed exchange rate system is
- Devaluation
 - Depreciation
 - Appreciation
 - Revaluation
7. *Structural Slumps : The Modern Equilibrium Theory of Employment, Interest and Assets* was authored by
- J. M. Keynes
 - Edmund Phelps
 - John Taylor
 - John Hicks
8. Wedge model is a part of
- Classical economics
 - Keynesian economics
 - New Keynesian economics
 - Supply side economics

(8×½=4)

PART – B

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

- What is J Curve Effect ?
- Briefly explain crowding out effect.
- Distinguish between depreciation and devaluation.
- What are the basic features of an open economy ?
- Identify the different ranges of an aggregate supply curve.
- What is budget deficit ?
- What is meant by underemployment equilibrium ?



16. Explain the significance of Laffer curve in economics.
17. Distinguish between balance of payments and balance of trade.
18. Explain inflation targeting.
19. Distinguish between repo rate and reverse repo rate.

(8×2=16)

PART – C

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

20. Explain Mundell -Fleming model with the help of IS-IM curves.
21. Critically examine the validity of real business-cycle model.
22. *There is full crowding out if LM is vertical* – Substantiate the statement.
23. Explain the monetary approach to BOP adjustments.
24. Examine the objectives of monetary policy.
25. Discuss the meaning and determination of exchange rates.

(4×5=20)

PART – D

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

26. Compare and contrast Neoclassical and Keynesian labour market equilibrium.
27. Summarize the contributions of significant macroeconomic schools.
28. Explain short run and long run Phillips Curves with the help of diagrams.
29. Analyze the relative effectiveness of monetary and fiscal policies with the help of IS-LM model.

(2×10=20)
