



K22P 0110

Reg. No. :

Name :

II Semester M.A. Degree (C.B.S.S. – Reg./Supple./Imp.)
Examination, April 2022
(2018 Admission Onwards)
ECONOMICS/APPLIED ECONOMICS/DEVELOPMENT ECONOMICS
ECO2C06 : Macroeconomic Theory – II

Time : 3 Hours

Max. Marks : 60

PART – A

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

1. A phenomenon of fall in private investment naturally causes an adverse impact on employment and income is
 - a) Crowding out
 - b) Credit crunch
 - c) Twin deficits
 - d) Twin BoP Phenomenon
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. Liquidity trap exists because at a low rate of interest
 - a) Speculative demand for money becomes zero
 - b) Transactions demand for money becomes inelastic
 - c) Demand for money becomes perfectly elastic
 - d) Speculative demand for money becomes perfectly elastic
4. 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



5. The following concept is not related to classical economics
- a) Wage-price flexibility
 - b) Laissez Faire
 - c) Full employment
 - d) Interest rate rigidity
6. The shape of long run Phillips curve is
- a) Rectangular hyperbola
 - b) Vertical
 - c) Horizontal
 - d) None of these
7. An inverted U shaped graphic relation between tax revenue and tax rate is
- a) Offer curve
 - b) Kuznets curve
 - c) Laffer curve
 - d) Lorenz curve
8. The long run relationship between inflation and interest rates is called
- a) Keynes effect
 - b) Pigou effect
 - c) Fischer effect
 - d) Patinkin effect

(8×½=4)

PART – B

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

9. What is crawling peg ?
10. What is dirty floating ?
11. What is inflation targeting ?
12. Explain the meaning of IS-LM model.
13. What do you mean by J-curve effect ?
14. What do you mean by rational expectations ?
15. What are the fiscal instruments ?
16. Write a note on Adaptive expectations.
17. What is crowding out effect ?
18. What is Okun's law ?
19. Write a note on Laffer curve.

(8×2=16)



PART – C

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

20. Briefly explain New Keynesian Economics.
21. Distinguish between fiscal and monetary policy.
22. Write a brief note on sticky price (Menu cost) Models.
23. Explain monetary approach to Balance of Payments.
24. Write a note on Keynesian unemployment.
25. What is meant by augmented Phillips curve ? (4×5=20)

PART – D

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

26. Summarize what you believe to be the essential differences between the monetarist and Keynesian positions.
 27. Explain the implications of the rational expectations assumptions for the effectiveness of stabilization policy.
 28. Briefly narrate Mundell-Fleming Model.
 29. Examine the arguments for and against intermediate targeting of monetary aggregate. (2×10=20)
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