

21P226

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Name:

Reg. No:

SECOND SEMESTER M.A. DEGREE EXAMINATION, APRIL 2022

(CBCSS - PG)

(Regular/Supplementary/Improvement)

CC19P ECO2 C06 - MACROECONOMICS: THEORIES AND POLICIES II

(Economics)

(2019 Admission onwards)

Time: 3 Hours

Maximum: 30 Weightage

Part A

Answer *all* questions. Each question carries 1/5 weightage.

1. Savings-Investment equality in classical model breaks down due to lack of
 - (a) Money market regulation
 - (b) Government assistance
 - (c) Money supply
 - (d) None of the above
2. Perhaps the most important implication of Keynesian economics is that
 - (a) The economy automatically tends towards full employment.
 - (b) Government should not interfere in the operation of the economy.
 - (c) The economy always tends towards the equilibrium output
 - (d) The economy can come to rest at un-employment equilibrium.
3. If the interest rate falls, then
 - (a) Bond prices will remain the same
 - (b) Bond prices will rise
 - (c) Bond prices will fall
 - (d) None of the above
4. Inflation cannot continue indefinitely without;
 - (a) Increase in the money supply
 - (b) Increase in aggregate output
 - (c) Increase in investment
 - (d) Increase in the interest rate
5. Friedrich Hayek was a proponent of:
 - (a) Keynesian economics
 - (b) Communism
 - (c) Classical liberalism
 - (d) Socialism
6. The accelerator theory of investment says that induced investment is determined by
 - (a) The rate of change of national income
 - (b) Expectations
 - (c) The level of national income
 - (d) The level of aggregate demand
7. According to Keynes, the marginal efficiency of capital is the expected:
 - (a) Rate of return on financial assets
 - (b) Profit from real investment
 - (c) Profit from financial investment
 - (d) Rate of return on real investment

(1)

Turn Over

8. According to Keynesian economists, those who are not working.
- Having given up looking for a job, but would accept a job at the current wage if one were offered to them
 - Are productive to be hired at the current wage
 - Has chosen not to work at the market wage
 - Are unable to find a job at the current wage rate
9. The practice of using fiscal and monetary policy to stabilize the economy is known as
- Fine tuning of demand
 - Monetarism
 - Laissez faire economics
 - Supply side economics
10. People are said to have identical rational expectations if they,
- Assume that this year's inflation will be same as last year's inflation rate
 - Assume that this year's inflation rate will be equal to the average inflation rate over the past 10 years.
 - Merely guess at the inflation rate.
 - Uses all available information in forming their expectation about inflation
11. Bounded rationality is the contribution of
- Akerlof
 - Siglitz
 - Shultz
 - All the above
12. Real price rigidity is a function of
- Elasticity of demand
 - Customer markets
 - Judging quality by price
 - All the above
13. The partisan models are
- Nordhaus model and Rogoff and Sibert model
 - Hibbs model and Alesina model
 - All the above
 - None of the above
14. Non-partisan opportunistic models are given by
- Nordhaus
 - Rogoff
 - Sibert
 - All the above
15. Opportunistic and Partisan models which continued to use the adaptive expectations hypothesis were coming in for heavy criticism from new classical theorists
- Statement is correct
 - Statement is wrong
 - May be correct
 - None of the above
- (15 × 1/5 = 3 Weightage)**

(2)

Part B (Very Short Answer Questions)Answer any *five* questions. Each question carries 1 weightage.

- Explain the features of classical production and employment.
- Explain Natural rate of unemployment.
- Deduce the monetarist view of the Great depression.
- Compare RBCT (real business cycle Theory) and Conventional approach.
- Define supply shocks.
- Write a note on Keynesian resurgence.
- Examine the consequences of credit market imperfections in the New Keynesian business cycle theory.
- Which are the four main approaches of political business cycle?

(5 × 1 = 5 Weightage)**Part C** (Short Answer Questions)Answer any *seven* questions. Each question carries 2 weightage.

- How Keynes has rejected Say's law?
- State the monetary approach to BOP under fixed exchange rates.
- Write an essay on the fiscal and monetary policy effectiveness.
- Examine the inter-temporal substitution model.
- Explain the Lucas critique.
- Write a note on Nominal wage rigidities.
- Examine Nominal price rigidities.
- Recite the Political influences on policy choice.
- Examine the role of government, Politicians and stabilization policy from the point of view of Keynes and New political economy.
- Write the views of New political macroeconomics on "an independent central bank".

(7 × 2 = 14 Weightage)**Part D** (Essay questions)Answer any *two* questions. Each question carries 4 weightage.

- Summarize the causes and consequences of the Great Depression and explain the Keynesian policy conclusions.
- Recite the quantity theory of money approach.
- Summarize the contributions of Supply-Side macroeconomics.
- Justify the Hibbs partisan model.

(2 × 4 = 8 Weightage)
