Part D (Essay questions)

Answer any *two* questions. Each question carries 4 weightage.

34. Examine Classical model of output and employment.

35. State the important and lasting contributions of orthodox monetarist school to modern macroeconomics.

36. Summarize the main elements of new classical macroeconomics.

37. Justify the Hibbs partisan model.

(2 × 4 = 8 Weightage)

****

22P226 (Pages: 4) Name: ....

Reg. No: ....

SECOND SEMESTER M.A. DEGREE EXAMINATION, APRIL 2023

(CBCSS - PG)

(Regular/Supplementary/Improvement)

CC119P 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. Depression unemployment is caused by

    (a) Trade cycles   (b) Deficit financing

    (c) Lack of effective demand   (d) Says law of market

2. Say's law of markets suitable for

    (a) Money economy   (b) Barter economy

    (c) Capitalist economy   (d) None of the above

3. It is often true that as the economy begins to recover from a recession the unemployment rate rises. Which of the following statements would be the best explanation for this?

    (a) The unemployment rate would rise because as the economy initially recovers from a recession the demand for goods and services falls, so the demand for workers falls

    (b) As the economy begins to recover from a recession, workers who were previously discouraged about their chances of finding a job begin to look for work again

    (c) The unemployment rate seems to rise as the economy begins to recover from a recession because of errors in the way the data are collected

    (d) As the economy initially recovers from a recession, firms do not immediately increase the number of workers they hire. Firms wait to hire more individuals until they are convinced that the recovery is strong.

4. An increase in aggregate demand when the economy is operating at full capacity is likely to result in

    (a) An increase in the output but no increase in the overall price level

    (b) An increase in both the output and overall price level

    (c) No increase in the output and overall price level

    (d) An increase in the overall price level but no increase in output

5. A major portion of the multiplier effect is realized in fewer periods when MPC is

    (a) Unity   (b) Larger   (c) Smaller   (d) None of the above

6. Prices that do not always adjust rapidly to maintain equality between quantity supplied and quantity demanded are

    (a) Market prices   (b) Sticky prices   (c) Fixed prices   (d) Regulatory prices

7. Which of the following is not a cost of voluntary unemployment?

    (a) Potential output of the economy is greater than actual output

    (b) Government loses tax revenue

    (c) Firms lose potential revenues due to operating below capacity

    (d) Mental stress undergone by unemployed persons

8. In the classical macro system, money determines which of the following?

    (a) Output and prices   (b) Employment and prices

    (c) Output and employment   (d) Prices

9. A group of modern economists who believe that price and wage rigidities do not provide the only rationale for macroeconomic policy activism are called:

    (a) New Keynisians   (b) Keynisians   (c) Monetarists   (d) The classical school

10. Keynes' explanation for low firm investment during the Great Depression was

    (a) Low savings, which placed a constraint on investment

    (b) High real borrowing rates, which discouraged firm borrowing

    (c) High savings which left consumenrs with less money to spend on goods and services produced by firms

    (d) A permanent change in Europe's corporate ownership structures.

11. Core propositions of New Keynesian economics are

    (a) Existence of imperfect market

    (b) Rational expectations

    (c) Coordination failure and macroeconomic externalities

    (d) All the above

12. Bounded rationality is the contribution of

    (a) Akerlof   (b) Yellen   (c) Mankiw   (d) All the above

13. Which are the non-partisan opportunistic models?

    (a) Nordhaus model and Rogoff and Sibert model

    (b) Hibbs model and Alesina model

    (c) All the above

    (d) None of the above

14. Non-partisan opportunistic models are given by

    (a) Nordhaus   (b) Rogoff   (c) Sibert   (d) All the above

15. The rational expectations hypothesis also implies that voters will be forward-looking and will not be systematically fooled in equilibrium.

    (a) Statement is correct   (b) Statement is wrong

    (c) May be correct   (d) None of the above

(15 × 1/5 = 3 Weightage)

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

16. How can the real wage be reduced (Keynes' view)?

17. Review the four propositions of monetarist school.

18. Explain Natural rate of unemployment.

19. "Discretionary changes in policy must be avoided as they are predictable". Justify.

20. Compare RBCT (real business cycle Theory) and Conventional approach.

21. State nominal wage rigidities.

22. Define NAIRU.

23. Explain the role of government in policy choice.

(5 × 1 = 5 Weightage)

Part C (Short Answer Questions)
Answer any *seven* questions. Each question carries 2 weightage.

24. Explain Keynes contribution towards international macroeconomics.

25. Summarize the monetarist view of great depression.

26. Write an essay on the fiscal and monetary policy effectiveness.

27. Examine the Policy implications of supply-side economics.

28. Justify the inverted U shaped Laffer curve.

29. Explain the fall and rise of Keynesian economics and Keynesian resurgence.

30. Justify Real price rigidity.

31. Recite the Political influences on policy choice.

32. Write a note on Nordhaus opportunistic model of political business cycle.

33. Write a note on the political economy of debt and deficits.

(7 × 2 = 14 Weightage)