

Part D (Essay questions)

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

34. Review the Keynes's analysis of the labour market.
35. State the important and lasting contributions of orthodox monetarist school to modern macroeconomics.
36. Examine the emergence of real business cycle school and discuss the simple real business cycle model.
37. Justify the Nordhaus Opportunistic model of Political business cycle.

(2 × 4 = 8 Weightage)

(4)

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(Pages: 4)

Name:

Reg. No:

SECOND SEMESTER M.A DEGREE EXAMINATION, APRIL 2024

(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. Depression unemployment is caused by
 - (a) Trade cycles
 - (b) Deficit financing
 - (c) Lack of effective demand
 - (d) Says law of market
2. Consider a situation of depression with high unemployment, which policy you will prefer for a JUMPSTART of economy?
 - (a) Monetary policy
 - (b) Fiscal policy
 - (c) Laissez fair policy
 - (d) All the above
3. In terms of the circular-flow diagram, saving is often described as a _____, whereas investment is a _____.
 - (a) Leakage, injection
 - (b) Injection, leakage
 - (c) Shock, stimulant
 - (d) Stimulant, shock
4. An increase in aggregate demand is more likely to lead to demand pull inflation if,
 - (a) AS is relatively elastic
 - (b) AS is perfectly elastic
 - (c) AS is perfectly elastic
 - (d) AS is unit elastic
5. According to Classical models, the level of employment is determined primarily by
 - (a) Interest rates
 - (b) The level of prices
 - (c) The level of aggregate supply in the economy
 - (d) The level of aggregate demand for goods and services
6. In the equation $C = a + bY$, which describes the aggregate consumption function, 'a' stands for
 - (a) The amount of consumption when income is zero
 - (b) The marginal propensity to consume
 - (c) The amount of consumption when income is maximum
 - (d) The average consumption levels

(1)

Turn Over

7. Assuming wage-price flexibility, the classical economists asserted that a decline in money wages and price would lead to
 (a) Unemployment (b) Deflation
 (c) High level of unemployment and output (d) Unemployment and decline in output
8. Assertion (A) : Classical macro model is decomposable into real and monetary sectors Reason (R) : Money affects both income and employment.
 (a) Both A and R are true and R is the correct explanation of A
 (b) Both A and R are true and R is not the correct explanation of A
 (c) A is true and R is false
 (d) A is false and R is true
9. Government policies that focus on increasing production rather than demand are called:
 (a) Fiscal policies (b) Monetary policies
 (c) Income policies (d) Supply side policies
10. Neo-Classical theories were an attempt to explain.
 (a) How unemployment could have persisted for so long during the great Depression
 (b) The stagflation of the 1970s
 (c) Why policy changes that are perceived as permanent have more of an impact on person's behaviour than policy changes that are viewed as temporary
 (d) The increase in growth rate of real output in the 1950s
11. Nominal price rigidity is associated with
 (a) Akerlof (b) Yellen (c) Mankiw (d) All the above
12. All costs incurred by a business to change the prices it offers to its customers is known as
 (a) Menu cost (b) Shoe-leather cost (c) Round-trip cost (d) None of the above
13. The partisan models are
 (a) Nordhaus model and Rogoff and Sibert model
 (b) Hibbs model and Alesina model
 (c) All the above
 (d) None of the above
14. Forms of central bank autonomy
 (a) Goal independence (b) Instrument independence
 (c) All the above (d) None of 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
 (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. Examine the Keynesian policy conclusions on the Great Depression.
 17. Explain monetarist view of Great depression
 18. Explain the factors affecting the strength of the monetary policy.
 19. "Discretionary changes in policy must be avoided as they are predictable". Justify.
 20. Write a note on the emergence of Supply-side economics.
 21. Write a note on the New Keynesian economics.
 22. Define Hysteresis.
 23. Write a note on rational Partisan model.

(5 × 1 = 5 Weightage)

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

24. Review Classical model of output and employment.
 25. Explain the restatement of quantity theory of money approach.
 26. Recite the expectations-augmented Phillips curve analysis.
 27. Write a note on the main elements of new classical macroeconomics.
 28. Justify the inverted U shaped Laffer curve.
 29. Explain The shirking model and Fairness model.
 30. Justify Real price rigidity.
 31. Cite the Political influences on policy choice.
 32. Explain the role of government, Politicians and stabilization policy from the point of view of New political economy.
 33. Write the views of New political macroeconomics on "an independent central bank".

(7 × 2 = 14 Weightage)