

SECOND SEMESTER M.A. DEGREE EXAMINATION, APRIL 2025

(CBCSS-PG)

(Regular/Supplementary/Improvement)

CC19P ECO2 C06 - MACROECONOMICS: THEORIES AND POLICIES - II

(Economics)

(2019 Admission onwards)

Time: 3 Hours

Maximum: 30 Weightage

Part AAnswer **all** questions. Each question carries 1/5 weightage.

1. Classical economics equilibrium attained with the working of
(a) Wage mechanism (b) Market mechanism (c) Aggregate demand (d) All the above
2. In 2007, the decline in demand for housing caused ____ to shift to ____
(a) AD, Left (b) AD, Right (c) AS, Left (d) AS, Right
3. Assertion: In the classical model the flexibility of interest rates was not the only factor ensuring full employment; flexible wages and prices provided an additional safeguard. Reason: The above flexibility ensures equilibrium in the economy automatically.
(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
4. Less demand in the economy may increase unemployment; this may lead to less spending which may reduce demand further. This process is called
(a) Downward multiplier (b) Upward multiplier (c) The upward PPF (d) The downward MPC
5. J B Say is associated with
(a) Consumption function (b) Law of markets (c) Effective demand (d) Underemployment
6. Which of the following is not an obvious or direct determinant of a country's imports?
(a) Real exchange rate (b) Income (c) Tariff rate (d) Interest rate
7. Which one of the following would be inconsistent with the Keynesian view about the effectiveness of monetary policy ?
(a) Velocity of money is relatively stable (b) Demand for money is unstable
(c) Demand for money is interest sensitive (d) Investment demand is unstable
8. According to Keynes, the aggregate supply curve during depression:
(a) Is horizontal (b) Is vertical
(c) Tilts downward to the right (d) Tilts upward to the right

9. Which among the following were neglected by Keynes in his theory of employment ?
 (a) Role of expectations (b) Role of capital stock
 (c) Role of consumption (d) Role of Government
10. People are said to have identical rational expectations if they,
 (a) Assume that this year's inflation will be same as last year's inflation rate
 (b) Assume that this year's inflation rate will be equal to the average inflation rate over the past 10 years
 (c) Merely guess at the inflation rate
 (d) Uses all available information in forming their expectation about inflation
11. Nominal price rigidity is not associated with
 (a) Akerlof (b) Yellen (c) Mankiw (d) Keynes
12. Menu cost is the contribution of
 (a) Akerlof (b) Yellen (c) Mankiw (d) All the above
13. Central banks have
 (a) Goal independence (b) Instrument independence
 (c) All the above (d) None of the above
14. There is no exploitable short-run Phillips curve which policy makers can use.
 (a) Statement is correct (b) Statement is wrong (c) May be correct (d) None of the above
15. "Majoritarian elections lead to smaller government and smaller welfare programmes than elections based on proportional representation"- is the major findings of
 (a) Persson (b) Tabellini (c) All the above (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. Justify Keynes rejection of the quantity theory of money.
17. Explain monetarist view of Great depression.
18. Explain the factors affecting the strength of the monetary policy.
19. Define technological shocks.
20. Recite the central theme of the supply-side economics.
21. Recite real price rigidity.
22. Define Hysteresis.
23. Examine the impact of political distortions on macroeconomic performance.

(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. Recall the restatement of quantity theory of money approach.
26. Justify the expectations-augmented Phillips curve analysis.
27. State the Policy ineffectiveness argument.
28. Justify the inverted U shaped Laffer curve.
29. Explain the fall and rise of Keynesian economics and Keynesian resurgence.
30. Explain Implicit Contract Theory.
31. Explain the role of government, Politicians and stabilization policy from the point of view of New political economy.
32. Write a note on Hibbs partisan model.
33. Write a note on the views of New political economics on Political and economic instability.

(7 × 2 = 14 Weightage)

Part D (Essay questions)

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

34. Examine the causes and consequences of Great Depression? Explain the Keynesian policy conclusions on Great Depression?
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 Nordhaus Opportunistic model of Political business cycle.

(2 × 4 = 8 Weightage)
