

C 83769

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Name.....

Reg. No.....

SECOND SEMESTER M.A. DEGREE EXAMINATION, JUNE 2015

(CUCSS)

Economics

ECO 2C 06—MACRO ECONOMIC THEORY AND POLICY—II

Time : Three Hours

Maximum : 36 Weightage

Part A*Answer all questions.**Each bunch of four questions carries a weightage of 1.***A. Multiple Choice :**

- 1 The elasticity of LM function depends on :
 - (a) The shape and elasticity of money supply curve.
 - (b) Relationship between liquidity preference for transaction motive and changes in income.
 - (c) Expectations regarding future interest rates.
 - (d) All the above.
- 2 In Keynesian theory, holding of money for 'speculative purposes' is termed as :
 - (a) Active Cash Balance.
 - (b) Idle Cash Balance.
 - (c) Real balance effect.
 - (d) Liquidity trap.
- 3 The term NAIRU was put forward by :
 - (a) A. W. Phillips.
 - (b) Paul Samuelson.
 - (c) Milton Friedman.
 - (d) J. R. Hicks.
- 4 The natural rate of unemployment is determined by :
 - (a) Frictional and Cyclical unemployment.
 - (b) Frictional and structural unemployment.
 - (c) Structural and Technological unemployment.
 - (d) Structural and involuntary unemployment.

B. Multiple Choice :

- 5 Who authored the book '*Principles of Political Economy*' 1848 ?
 - (a) Alfred Marshall.
 - (b) J. S. Mill.
 - (c) David Riccard.
 - (d) J. B. Say.

Turn over

- 6 If an economy operates below its potential output and growth rate, it is termed as :
- (a) Depression. (b) General Glut.
(c) Stagnation. (d) Stagflation.
- 7 Which of the following influences money supply positively ?
- (a) Value of money. (b) Interest rate.
(c) Real income. (d) All the above.
- 8 The supply of funds available for use either as cash or reserve of the Central bank is called
- (a) Money supply. (b) Monetary base.
(c) Demand deposit. (d) Total bank deposit.
- C. Fill in the Blanks :
- 9 At the natural rate of unemployment, Phillips curve becomes _____.
- 10 If the money supply function is perfectly elastic, the LM function will be _____.
- 11 The Cambridge cash balance approach is based on the _____ function of money.
- 12 In the short-run, a permanently lowering unemployment co-exist with continually inflation is the idea behind _____.
- D. State whether the following statements are True or False :
- 13 In Keynesian models, prices are flexible.
- 14 Borrowers at fixed interest rates will be hurt by inflation.
- 15 Unemployment, which is the outcome of job search by both workers and employers characterised by imperfect information, is frictional unemployment.
- 16 Bond is a claim to a time stream of payments that are fixed in nominal units.

(16 × ¼ = 4 weight)

Part B

Answer any **ten** questions.

Each question carries a weightage of 2.

- 17 Critically examine Fisher's quantity theory of money.
- 18 Write a note on 'money neutrality'.
- 19 Define money multiplier.
- 20 What is meant by value of money and price level ?
- 21 State Okun's law.
- 22 What is meant by liquidity trap ?
- 23 Distinguish between instrument variable and target variable.

- 24 What is natural rate of unemployment ?
- 25 What are the determinants of demand for money ?
- 26 Explain Arrow-Debreu model.
- 27 What are the merits of portfolio balance approach to the theory of demand for money ?
- 28 Examine Keynes criticism on classicism.
- 29 State Patinkin's real balance effect.
- 30 Distinguish short run and long run Phillips curve.

(10 × 2 = 20 weightage)

Part C

*Answer any three questions.
Each question carries a weightage of 4.*

- 31 Discuss the nature and determinants of demand for money in India.
- 32 Compare and contrast the portfolio balance theory of demand for money and quantity theory of demand for money.
- 33 Critically examine Walras' law.
- 34 What are monetary policies ? Bring out their significance to control inflation.
- 35 Illustrate Keynesian approach to quantity theory of money.

(3 × 4 = 12 weightage)