

C 21239

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Name.....

Reg. No.....

**SIXTH SEMESTER B.A. DEGREE EXAMINATION, MARCH 2017**

(CUCBCSS—UG)

Economics

ECO 6B 11—MACRO ECONOMICS—II

Time : Three Hours

Maximum : 80 Marks

*Answers may be written either in English or in Malayalam.*

**Part A**

*Answer all questions.*

*Each question carries ½ mark.*

1. Quantity theory of money was first propounded by \_\_\_\_\_.  
(a) David Ricardo. (b) David Hume.  
(c) J S Mill. (d) Davanzatti.
2. \_\_\_\_\_ is the aggregate stock of money during a period of time.  
(a) Narrow Money. (b) Outside Money.  
(c) High Powered Money. (d) None of the above.
3. The concept of inflationary gap was given by \_\_\_\_\_.  
(a) Wicksell. (b) Keynes.  
(c) Milton Friedman. (d) A W Phillips.
4. Which of the following is not an essential characteristic of business cycle?  
(a) Recurrent nature. (b) Cumulative in effect.  
(c) Regular. (d) All pervading in their impact.
5. A shift in LM curve to the right is caused by the \_\_\_\_\_.  
(a) Increase in money supply. (b) Decrease in money supply.  
(c) Decrease in income. (d) Rise in demand for money.
6. Bottle-neck inflation is a situation that sets in \_\_\_\_\_.  
(a) After the point of full employment.  
(b) Before the point of full employment.  
(c) After imposing price controls.  
(d) During war period.

**Turn over**

7. If the government's anti inflationary policy is not viewed as credible, it results in
- (a) Self-fulfilling inflation.
  - (b) Deflation.
  - (c) Disinflation.
  - (d) Stable prices.
8. Which of the following groups will not be hurt by inflation ?
- (a) Individuals on fixed incomes.
  - (b) Borrowers at fixed interest rates.
  - (c) Retail store owners.
  - (d) Lenders at fixed interest rates.
9. Which of the following will be the outcome of stagflation ?
- (a) Unemployment goes down.
  - (b) The price level goes down.
  - (c) Phillips curve shifts rightward.
  - (d) Real GDP increases.
10. Which of the following theory of business cycle has been given by Haw trey ?
- (a) Purely monetary.
  - (b) Monetary over investment.
  - (c) Real over investment.
  - (d) Under consumption.
11. Pick out the item not included in BOPs current account ?
- (a) Merchandise.
  - (b) Travel and transportation.
  - (c) Transfer payments.
  - (d) Foreign investments.
12. Doctrine of sound finance supports.
- (a) Deficit budget.
  - (b) Surplus budget.
  - (c) Balanced budget.
  - (d) Enlarged budget.

(12 × ½ = 6 marks)

**Part B (Very Short Answer Questions)**

*Answer any ten questions.*

*Each question carries 2 marks*

13. Explain the classical theory of demand for money.
14. Distinguish between demand pull and cost push inflation.
15. Differentiate between money and near money.

16. Explain the concept of liquidity trap.
17. What do you mean by stagflation ?
18. Briefly explain Haw trey's theory of inflation.
19. What is inflationary gap ?
20. Explain briefly the types of unemployment.
21. Explain Okun's law.
22. Define monetary policy.
23. What are the negative effects of inflation ?
24. Define mixed inflation.

(10 × 2 = 20 marks)

**Part C (Short Essay Questions)**

*Answer any six questions.  
Each question carries 5 marks.*

25. Explain the nature and function of money.
26. What are the important determinants of money supply ?
27. Define the term inflation. What are different types of inflation ?
28. Examine Friedman's view on Phillips curve.
29. Explain the concept of disequilibrium in the BOP. State the causes of disequilibrium.
30. What is fiscal policy? State the objectives of fiscal policy in a developing country like India.
31. Critically evaluate Keynesian theory of business cycle.
32. What are the typical phases of business cycle ?

(6 × 5 = 30 marks)

**Part D (Essay Questions)**

*Answer any two questions.  
Each question carries 12 marks.*

33. Define and derive IS and LM curve. How do they determine general equilibrium?
34. State and explain the term money supply. Discuss different approach to the measurement of money supply.
35. Explain the relative effectiveness of monetary and fiscal policy.
36. Critically evaluate the theory of Phillips curve and explain its policy implication.

(2 × 12 = 24 marks)