SECOND SEMESTER M.A. DEGREE EXAMINATION, APRIL 2020
(CUCSS - PG)
CC19P ECO2 C06 - MACRO ECONOMICS: THEORIES AND POLICIES II
(2019 Admission - Regular)

Time: Three Hours   Maximum: 30 Weightage

Part A
Answer *all* questions Each bunch of five questions carries 1/5 weightage.

1. Philip's curve examines the relationship between the rate of unemployment and rate of --- ----------.

    a) Money Wage   b) Real Wage   c) Both of the A & B   d) Nominal Income

2. The transaction demand for money is a function of;

    a) Interest   b) Income   c) Money Supply   d) Wealth

3. If the inflation rate is 5% and the real rate of interest is 3%, the nominal interest rate is;

    a) 15%   b) 5%   c) 8%   d) 3%

4. Monetary theory put forward by -------------

    a) Keynes   b) Friedman   c) Lucas   d) Kaldor

5. Equation M=KPT is propounded by which of the following Cambridge economists

    a) Keynes   b) Marshall   c) Pigou   d) Robertson

6. Expectation formed on the basis of all the available information is

    a) Adaptive Expectation   b) Rational Expectation

    c) Myopia   d) Monetary Surprise

7. The political business cycle first coined by;

    a) Nordhaus   b) Hibbs   c) Parkin   d) Lucas

8. New Keynesian argue that menu costs are the reasons for -------------

    a) Wage stickiness   b) Price stickiness   c) Both A & B   d) Business Cycle

9. Rational expectation hypothesis is connected with the name;

    a) John Muth   b) Lucas   c) Clower   d) Minsky

10. Fishers equation of exchange;

    a) MV=PT   b) M=P   c) M=KPY   d) None of these

11. The central idea of supply-side economics is that certain types of tax cuts will increase:

    a) Aggregate Supply   b) Aggregate Demand

    c) Imports   d) Money Supply

12. The NAIRU is the rate of unemployment at which;

   a) Inflation is necessarily constant over time

   b) Prices are necessarily constant over time

   c) The rate of change of inflation is necessarily constant over time

   d) All of the above

13. Political stability and ------------- are deeply interconnected;

   a) Economic stability   b) Economic Growth

   c) Economic Development   d) Social Development

14. The fact that unemployed do not take part in collective bargaining referred by -------------

   a) Efficiency Wage Model   b) Insider-Outsider Model

   c) Okun's Law   d) Staggered theory

15. Under Keynesian cross model, rate of interest is;

   a) Endogenous variable   b) Exogenous variable

   c) Exponential variable   d) None of the above

(15 x 1/5 = 3 Weightage)

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

16. What is the difference between MPC and APC?

17. Write note on inflation targetting

18. Define implicit wage contract model

19. Define Laffer Curve

20. Differentiate the economic and political business cycle

21. What is the difference between nominal and real rigidities?

22. What is augmented Philip's curve?

23. Define small menu cost model

(5 x 1 = 5 Weightage)

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

24. How politicians act as the agent for the stabilization policy?

25. Evaluate inter temporal substitution model?

26. What are the major propositions of Keynes Economics?

27. Compare the working of fiscal policy under fixed and flexible exchange rate

28. Discuss Lucas surprise supply function

29. What are the central features of Real Business Cycle model?

30. What do you mean by Real Rigidities?

31. Explain the Classical theory of output and employment

32. Discuss policy prescriptions of supply side economics

33. Explain New Keynesian business cycle theory

(7 x 2 = 14 Weightage)

Part D (Essay Questions)
Answer any *two* questions. Each question carries 4 weightage.

34. Discuss the Policy implications acoording to New Keynesian economists during business cycles.

35. Compare the major propositions of Classical and Keynesian economics

36. What is Monetarists view on Great Depression?

37. Discuss main tenets of new classical macroeconomics

(2 x 4 = 8 Weightage)

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