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Name.....

Reg. No.....

SECOND SEMESTER M.A. DEGREE EXAMINATION, MAY-2017

(Regular/Supplementary/Improvement)

(CUCSS - PG)

CC 15P ECO2 C06 - MACRO ECONOMICS: THEORIES AND POLICIES –II

(Economics)

(2015 Admission Onwards)

Time: Three Hours

Maximum: 36 Weightage

PART A

(Answer **all** questions. Each question carries $\frac{1}{4}$ weightage.)

1. Rational expectations way of modeling was originally proposed by:
(a) Herbert Stein (b) Bartlet
(c) Laffer (d) John Muth
2. Tradeoff between inflation and unemployment was first stated by:
(a) Friedman (b) Keynes
(c) Phelps (d) Phillips
3. Lower marginal tax rates and less government regulations are the typical policy recommendations of:
(a) Post Keynesians (b) Supply side economist
(c) Neo-Classical (d) Monetarists
4. When the exchange rate is determined by the market forces of demand and supply it is known as:
(a) Real exchange rate (b) Floating exchange rate
(c) Superfluous exchange rate (d) Floating exchange rate
5. Condition when the prices of goods rise while unemployment increases and spending declines:
(a) Stagnation (b) Depression
(c) Recessionary gap (d) Stagflation
6. The economist who constructed a multiplier-accelerator trade cycle model:
(a) Hayek (b) Samuelson
(c) Nordhuas (d) Schumpeter
7. The concept of involuntary unemployment was introduced by:
(a) Keynes (b) Adam Smith
(c) J B Say (d) Marshall

8. Keynesian labour market is characterized by:

- (a) Wage rigidity
- (b) Wage flexibility
- (c) Wage stability
- (d) None of these

9. Pioneer economist of the New Classical school:

- (a) Lucas
- (b) Minsky
- (c) Kalecki
- (d) Samuelson

10. The term NAIRU was put forward by:

- (a) Phillips
- (b) Paul Samuelson
- (c) Milton Friedman
- (d) J R Hicks

11. In Keynesian models, prices are:

- (a) Fixed
- (b) Flexible
- (c) Fixed or only flexible upwards
- (d) Fixed or only flexible downwards

12. Workers are paid at levels that maximize productivity instead of clearing the market is seen in:

- (a) Inside-outside model
- (b) Neo-classical model
- (d) Efficiency- wage model
- (d) Menu-cost model

(12×¼ = 3 weightage)

PART B

(Very Short Answer Questions)

(Answer any **five** questions. Each question carries a weightage of 1)

- 13. Phillips curve.
- 14. Stagflation.
- 15. Laffer curve.
- 16. Flexible exchange rate.
- 17. Kondratieff cycles.
- 18. Wage flexibility.
- 19. Okun's law.
- 20. The Lucas critique.

(5×1 = 5 weightage)

PART C

(Short Answer Questions)

(Answer any **eight** questions. Each carries a weightage of 2)

- 21. State Adaptive expectation hypothesis.
- 22. Explain Innovation theory of Schumpeter.
- 23. Describe the Financial instability theory of Minsky.

24. What are the costs of inflation?
25. Explain neoclassical labour market equilibrium.
26. Describe Political business cycle theory.
27. Explain Kallecki's pricing theory.
28. Discuss the effectiveness of Fiscal policy under flexible exchange rate.
29. Explain Search theory.
30. Explain the Inter temporal substitution model.
31. Explain efficiency wage theories.

(8×2 = 16 weightage)

PART D (Essay Questions)

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

32. Explain Hicks and Kaldor theory of business cycle.
33. Discuss the re-interpretation of Keynes by Clower and Leijonhufvud.
34. Discuss how the original Phillips curve was modified by Milton Friedman incorporating the concept of expectations.
35. Explain the major developments of the New Classical macroeconomics.
36. Explain the Mundell-Fleming model and state its implications.

(3×4 = 12 weightage)
