C 62112   (Pages : 3)   Name.....................................

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FOURTH SEMESTER B.A. DEGREE EXAMINATION, MAY 2014

(UG—CCSS)

Core Course—Economics

EC 4B 06—MACRO ECONOMICS—II

Time : Three Hours   Maximum : 30 Weightage

I. Objective Type Questions. Answer *all* twelve questions :

A. Multiple Choice Questions :

1 The simultaneous occurrence of high inflation and high unemployment :

    (a) Stagnation.   (b) Reflation.

    (c) Stagflation.   (d) Disinflation.

2 A very rapid inflation, sometimes defined as a rate of more than 22 percent per month, or 1000 percent per year or more :

    (a) Hyper inflation.   (b) Real inflation.

    (c) Bottleneck inflation.   (d) Inflationary gap.

3 Lowest point reached by real output in each business cycle :

    (a) Downswing.   (b) Recession.

    (c) Depression.   (d) Trough.

4 The prediction that a one percentage point increase in the expected inflation rate will raise the nominal interest rate by one percentage point, leaving the real expected interest rate unaffected :

    (a) Pigou effect.   (b) Fisher effect.

    (c) Ricardo effect.   (d) Keynes effect.

B. Fill in the blanks :

5 ——— is ratio of money supply to high-powered money.

6 ——— is the percentage rate of increase the economy's average level of prices.

7 The normal process of job search by individuals who have voluntarily quit their jobs, are entering the labour force for the first time, or are re-entering the labour force. It creates ——— unemployment.

8 ——— is a regular negative relationship between the output ratio (Y/Yn) and the difference between the actual and natural rates of unemployment.

Turn over

C. Name the following :—

9 The term that refers to any debt that is used as money. It is a liability to the issuer. Its net amount in an economy is zero.

10 Purchases and sales of government bonds made by the central bank in order to change high-powered money.

11 The rules that stipulate the minimum fraction of deposits that banks must maintain as required reserves.

12 The average number of times per year that the money stock is used in making payments for final goods and services.

(12 × ¼ = 3 weightage

II. Short Answer Type Questions. Answer *all nine* questions :

13 Define sacrifice ratio.

14 What is depression ?

15 What is meant by hyper deflation ?

16 What do you mean by "Economic Stimulus" ?

17 What is Kondratieff cycle ?

18 Examine whether money is round or flat.

19 Explain the Fiscal policy.

20 Distinguish between WPI and CPI.

21 Distinguish between Debit Card and Credit Card.

(9 × 1 = 9 weightage

III. Short Essay or Paragraph Questions. Answer any *five* questions :

22 Briefly explain the quantity theory of money. Distinguish between Fisher's and Cambridge approaches to the Quantity Theory of Money.

23 What are the causes of inflation ? Distinguish between Cost push and demand pull inflation

24 What is meant by Monetarist Counter revolution ? Explain the fundamental postulates of Monetarism.

25 Examine the role of Fiscal policy in Keynesian Economics.

26 Distinguish between Transaction demand for money and Speculative demand for money.

27 Explain the classical economists' view regarding the effects of quantity of money on real variables.

28 Explain the algebra of IS and LM curves in a four sector macro economic model.

(5 × 2 = 10 weightage

Essay Questions. Answer any *two* questions :

29   Explain the phenomenon of stagflation. Critically examine the unemployment inflation tradeoff.

30   Explain the relative strength of monetary and Fiscal policies as contra cyclical measures.

31   Explain the Liquidity preference theory. Critically examine the Keynesian liquidity trap.

$(2 \times 4 = 8$ weightage)