25P226 (Pages: 4) Name: ....

Reg.No: ....

SECOND SEMESTER M.A. DEGREE EXAMINATION, APRIL 2026

(CBCSS - PG)

(Regular/Supplementary/Improvement)

CC19PECO2C06 - MACROECONOMICS: THEORIES AND POLICIES - II

(Economics)

(2019 Admission onwards)

Time : 3 Hours Maximum : 30 Weightage

Part A

Answer ***all*** questions. Each question carries 1/5 weightage.

1. When savings increased in classical model then
   (a) Employment increases (b) AD increases
   (c) Employment declines (d) AD declines

2. When the Dollar value declines, then
   (a) AS shifts left (b) AS shifts right
   (c) AS remain unchanged (d) None of the above

3. From 1990 to 1995, the U.S. economy was in a recessionary gap. According to the classical economists, which of the following should have occurred?
   (a) Wages should have fallen which would cause more workers to be hired
   (b) Prices should have fallen which would increase consumer spending
   (c) Interest rates should have fallen which would increase consumer and investment spending
   (d) All the above

4. Friedman & Phelps suggested that there should not be a stable relationship between inflation & unemployment but there should be a stable relationship between,
   (a) Anticipated inflation & frictional unemployment
   (b) Anticipated inflation & cyclical unemployment
   (c) Unanticiated inflation & frictional unemployment
   (d) Unanticipated inflation & cyclical unemployment

5. A cut in the income tax rate designed to encourage household consumption is an example of
   (a) Expansionary demand side policy (b) Contractionary demand side policy
   (c) Expansionary supply side policy (d) Contractionary supply side policy

6. Which of the following is not a correct argument against a fiscal policy expansion – say a tax cut – aimed at lifting aggregate demand?
   (a) The expansion might become pro cyclical ex-post, given the lag time required to change fiscal policy.
   (b) The fiscal policy works with a lag, that a tax cut introduced today would not have an expansionary effect on aggregate demand till many months later.
   (c) The fiscal expansion would increase a distortion in the economy
   (d) Lower taxes would increase the government's borrowing requirement, which inturn would cause interest rates to rise, which inturn worls i) cause the exchange rate to appreciate, which in turn would cause the current account to move into deficit, and ii) crowd out private investment

7. Which one of the following would be inconsistent with the Keynesian view about the effectiveness of monetary policy ?
   (a) Velocity of money is relatively stable (b) Demand for money is unstable
   (c) Demand for money is interest sensitive (d) Investment demand is unstable

8. In the classical macro system, money determines which of the following?
   (a) Output and prices (b) Employment and prices
   (c) Output and employment (d) Prices

9. If future price changes were perfectly anticipated by both borrowers and lenders, what would happen to the real rate of interest in the future if the price level changed
   (a) Increases
   (b) Decreases
   (c) Decreases by the same amount of the price increase
   (d) Do not change

10. The negative relationship between the gap between actual GDP and its trend value and the difference between actual unemployment rate and its equilibrium value is called
    (a) Aggregate supply curve (b) The battle of the mark-up
    (c) The phillips curve (d) Okun's law

11. Which is a core propositions of New Keynesian economics are?
    (a) Existence of imperfect market
    (b) Adaptive expectations
    (c) Sucessful Coordination and macroeconomic externalities
    (d) None of the above

12. Menu cost is the contribution of
    (a) Akerlof (b) Siglitz (c) Shultz (d) All the above

13. The partisan models are
    (a) Nordhaus model and Rogoff and Sibert model (b) Hibbs model and Alesina model
    (c) All the above (d) None of the above

14. Rational Partisan models are associated with
    (a) Hibbs (b) Alesina (c) All the above (d) None of the above

15. Central banks have
    (a) Goal independence (b) Instrument independence
    (c) All the above (d) None of the above

(15 × 1/5 = 3 Weightage)

Part B (Very Short Answer Questions)

Answer any ***five*** questions. Each question carries 1 weightage.

16. What is Say's law of market?

17. Deduce the expectations-augmented Phillips curve mathematically using equation.

18. Defend the monetarist view of the Great depression.

19. Is there a real cost of disinflation according to New classical macroeconomics?

20. Define stagflation.

21. Examine the shirking model

22. Explain small menu cost

23. Critically evaluate Nordhaus model.

(5 × 1 = 5 Weightage)

Part C (Short Answer Questions)

Answer any ***seven*** questions. Each question carries 2 weightage.

24. Summarize the Keynesian policy conclusions on the the causes and consequences of the Great Depression.

25. Explain the restatement of quantity theory of money approach.

26. Examine the fiscal and monetary policy effectiveness.

27. Summarize the main elements of new classical macroeconomics.

28. Summaraize the simple real business cycle model.

29. Explain the fall and rise of Keynesian economics and Keynesian resurgence.

30. Explain NAIRU.

31. Write a note on the Political influences on policy choice.

32. Explain the role of government, Politicians and stabilization policy from the point of view of New political economy.

33. Write a note on the views of New political economics on Political and economic instability.

(7 × 2 = 14 Weightage)

Part D (Essay questions)

Answer any ***two*** questions. Each question carries 4 weightage.

34. Examine Classical model of output and employment.
35. Summarize the important and lasting contributions of orthodox monetarist school to modern macroeconomics.
36. Examine the emergence of Supply-Side macroeconomics and recite their policy implications.
37. State the alternative approaches to the political business cycle and Examine the Hibbs partisan model.

(2 × 4 = 8 Weightage)

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