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Name.....

Reg. No.....

**SECOND SEMESTER M.A DEGREE EXAMINATION, MAY 2018**

(Regular/Supplementary/Improvement)

(CUCSS - PG)

**CC15P 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. The term NAIRU was put forward by.  
(a) J R Hicks (b) A W Phillips  
(c) Milton Friedman (d) Paul Samuleson
2. According to the monetarists in the long run the Phillips curve is.  
(a) Downward sloping (b) Upward sloping  
(c) Horizontal (d) Vertical
3. According to which macro economic theory decreasing taxes and increasing government spending is a sound policy to recover from recession.  
(a) New classical (b) Keynesian  
(c) Monetarist (d) Rational expectation
4. "Elements of Pure Economics" was written by.  
(a) Patinkin (b) J M Keynes  
(c) Leon Walrus (d) A C Pigou
5. In which model workers are paid at levels that maximize productivity.  
(a) Efficiency wage model (b) Wage contract model  
(c) Small menu cost mode (d) Insider outsider model.
6. The innovation theory of business cycles is associated with.  
(a) Hayek (b) Kaldor  
(c) Hawtrey (d) Shumpeter
7. The natural rate of unemployment is determined by.  
(a) Frictional and cyclical unemployment  
(b) Frictional and structural unemployment  
(c) Structural and technological unemployment  
(d) Structural and involuntary un employment

8. The concept of stagflation is introduced by.  
 (a) Paul Samuelson (b) Clower  
 (c) Minsky (d) Kalecki
9. If the actual unemployment rate is below the natural rate of unemployment, it would be expected that.  
 (a) The rate of inflation would increase  
 (b) The Phillips curve would shift to the left  
 (c) Wages would fall  
 (d) the natural rate of unemployment would fall
10. The concept of rational expectation was first put forward by  
 (a) John Muth (b) Nerlove  
 (c) Taylor (d) Lucas
11. If individual forecasts future prices by examining the rate of inflation of the present and recent past they are using.  
 (a) Structural conditions (b) Adaptive expectation  
 (c) Rational Expectation (d) Inflationary condition
12. One point increase in cyclical unemployment rate is associated with two percentage points of negative growth in real GDP is stated in.  
 (a) Laffer curve (b) NAIRU  
 (c) Okun's Law (d) Phillips curve
- (12 x ¼ = 3 Weightage)**

**Part B**

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

13. Monetary theory of Hawtrey.  
 14. Costs of inflation.  
 15. DSGE Model.  
 16. Adaptive expectation hypothesis.  
 17. Stagflation.  
 18. Insider-Outsider model.  
 19. Laffer curve.  
 20. Lucas critique.

**(5 x 1 = 5 Weightage)**

**Part C**

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

21. Discuss Kaldor's model of business cycle.  
 22. Explain policy effectiveness under flexible exchange rate.  
 23. Explain the basic propositions of new classicals.  
 24. State and explain the anti-inflationary measures to stabilize the economy.  
 25. Explain rational expectation hypothesis.  
 26. Discuss fiscal policy under fixed exchange rate.  
 27. Examine NAIRU.  
 28. Explain neo-classical labour market equilibrium.  
 29. Explain efficiency wage models.  
 30. Explain inter-temporal substitution model.  
 31. Discuss small menu cost model.

**(8 x 2 = 16 Weightage)**

**Part D**

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

32. Explain how the original Phillips curve was modified by Milton Friedman incorporating the concept of expectations.  
 33. Explain search theory and discuss the contribution of Diamond, Mortenson and Pissarides in this field.  
 34. Explain the main propositions of supply side economics.  
 35. Discuss critically Samuelson's model of trade cycles.  
 36. Explain re-interpretation of Keynes by Clower and Leijonhufvud.

**(3 x 4 = 12 Weightage)**

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