

18P232

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Name:.....

Reg. No:.....

**SECOND SEMESTER M.A. DEGREE EXAMINATION, APRIL 2019**

(Regular/Improvement/Supplementary)

(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 ¼ weightage.

1. Practice of using fiscal and monetary policy to stabilise the economy is known as
  - a) neutrality
  - b) fine tuning
  - c) monetarism
  - d) classical dichotomy
2. By Hawtrey expansion path of trade cycle starts by
  - a) production
  - b) money supply
  - c) effective demand
  - d) bank credit
3. Implicit contract theory first developed to explain ----- adjustments.
  - a) quantity
  - b) price
  - c) market
  - d) output
4. According to Hayek when market interest rate is less than the natural rate there is ----- in the economy.
  - a) recession
  - b) prosperity
  - c) depression
  - d) recovery
5. In the perfect capital mobility slope of BP is
  - a) vertical
  - b) upward
  - c) horizontal
  - d) downward
6. Expectation formed on the basis of all the available information is
  - a) adaptive expectation
  - b) rational expectation
  - c) monetary surprise
  - d) myopia
7. The proposition that tax revenue would be zero if the tax rate is 100 percent is associated with
  - a) Gregory Mankiw
  - b) Paul Samuelson
  - c) Arthur Laffer
  - d) R Lucas
8. Staggered contracts are responsible for price rigidity is related to which of the following school of economics
  - a) new classical
  - b) new Keynesian
  - c) Neo classical
  - d) Supply side
9. At the natural rate of unemployment Phillips curve becomes
  - a) Horizontal
  - b) vertical
  - c) downward sloping flat
  - d) downward sloping steep

10. Supply side economics claims that reducing ----- generates increase in aggregate supply.

- a) expenditure    b) money supply    c) investment    d) tax

11. Clower and Leijonhufvud works are called ----- models.

- a) disequilibrium    b) equilibrium    c) equality    d) orthodox

12. Misery index is related to

- a) Real business cycle    b) Political Business cycle  
c) Innovation theory    d) Multiplier- Accelerator model

(12 x ¼ = 3 Weightage)

**Part B**

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

13. What is dual decision hypothesis?

14. Define implicit wage contract model.

15. What is augmented Phillips curve?

16. Write a note on DSGE model.

17. What are nominal and real rigidities?

18. Define Malinvaud model.

19. Illustrate fiscal policy under flexible exchange rate.

20. Comment on innovation theory of business cycle.

(5 x 1 = 5 Weightage)

**Part C**

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

21. Discuss the view that trade cycle is mainly due to fluctuations in MEC.

22. Explain structuralist theories of inflation.

23. Discuss Lucas surprise supply function.

24. Explain the small menu cost model.

25. Business cycle mirrors the time table of election cycle. Explain.

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

27. Explain the major themes in monetarism.

28. Explain the features of supply side economics.

29. What is inflation? Explain the costs and anti inflationary measures of inflation.

30. Explain DMP model.

31. Discuss the re-interpretation of Keynes by Clower and Leijonhufvud.

(8 x 2 = 16 Weightage)

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**Part D**

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

32. Critically examine the Real Business cycle theory.

33. Explain the Mundell-Flemming model and explain the effectiveness of fiscal and monetary policy under perfect capital mobility.

34. Explain New Keynesian explanations for real wage rigidity.

35. How does the Phillips curve explain the tradeoff between unemployment and inflation.

36. Examine the basic propositions of New Classical Economics.

(3 x 4 = 12 Weightage)

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