

C 4600

(Pages : 3)

Name.....

Reg. No.....

**SECOND SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY)  
EXAMINATION, APRIL 2021**

(CBCSS)

Economics

ECO 2C 06—MACRO ECONOMICS : THEORIES AND POLICIES—II

(2019 Admissions)

Time : Three Hours

Maximum : 30 Weightage

**General Instructions**

1. *In cases where choices are provided, students can attend **all** questions in each section.*
2. *The minimum number of questions to be attended from the Section / Part shall remain the same.*
3. *There will be an overall ceiling for each Section / Part that is equivalent to the maximum weightage of the Section / Part.*

**Part A (Multiple Choice Questions)***Answer **all** questions.**Each question carries  $\frac{1}{4}$  weightage.*

1. Which of the following statement is correct ?
  - a) A variable is endogenous when its value is determined by forces outside the model.
  - b) A change in an exogenous variable is classified as an autonomous change.
  - c) A variable is exogenous when its value is determined by forces within the model.
  - d) A variable is autonomous when its value is determined by forces within the model.
2. If, money has no real effect, it is referred to as :
 

|                         |                   |
|-------------------------|-------------------|
| a) Neutrality of money. | b) Real effect.   |
| c) Consumption effect.  | d) Income effect. |
3. Which of the following is not an essential characteristic of business cycle ?
 

|                      |                                   |
|----------------------|-----------------------------------|
| a) Recurrent nature. | b) Cumulative in effect.          |
| c) Regular.          | d) All pervading in their impact. |
4. Bottle-neck inflation is a situation that sets in \_\_\_\_\_.
 

|  |   |
|--|---|
| a) After the point of full employment. | b) Before the point of full employment. |
| c) After imposing price controls.      | d) During war period.                   |

**Turn over**

5. If the government's anti inflationary policy is not viewed as credible, it results in :
- a) Self-fulfilling inflation.                      b) Deflation.  
c) Disinflation.                                      d) Stable prices.
6. Which of the following groups will not be hurt by inflation ?
- a) Individuals on fixed incomes.              b) Borrowers at fixed interest rates.  
c) Retail store owners.                              d) Lenders at fixed interest rates.
7. Which of the following will be the outcome of stagflation ?
- a) Unemployment goes down.                      b) The price level goes down.  
c) Phillips curve shifts rightward.              d) Real GDP increases.
8. In which year did William Nordhaus received Nobel prize in economics :
- a) 2019.    b) 2017.  
c) 2016.    d) 2018.
9. A political signal in demand management, output and inflation movements originating with shifts in party control of the government was mainly advocated by :
- a) New classical.    b) Nordhaus model.  
c) Partisan theory.    d) None of the above.
10. The behavior that the motivation of government to win the elections in order to realize their policies is known as :
- a) Preference behaviour.                              b) Naive behaviour.  
c) Opportunistic behaviour.                              d) Partisan behaviour.
11. If supply of money falls short of demand for money, the country will have :
- a) BOP surplus.    b) BOP deficit.  
c) BOP equilibrium.    d) BOP neither surplus nor deficit.
12. Business cycle fluctuations to a large extent can be accounted for by real shocks are mainly advocated by :
- a) Classical school.    b) Keynesian school.  
c) New Classical school.    d) New Keynesian school.

(12 × ¼ = 3 weightage)

**Part B (Short Answer Type Questions)**

*Answer any five questions.*

*Each question carries 1 weightage.*

13. What is meant by classical dichotomy ?
14. Distinguish between monetarism and fiscalism.

15. What is Lucas' surprise supply function ?
16. State Adaptive Expectation Hypothesis.
17. What is meant by natural rate of unemployment hypothesis ?
18. Bring out the propositions of implicit wage contract model.
19. State the rationale of political business cycles.
20. Distinguish between devaluation and depreciation.

(5 × 1 = 5 weightage)

### Part C (Paragraph Type Questions)

*Answer any seven questions.*

*Each question carries 2 weightage.*

21. What is Nordhaus opportunistic model ?
22. Explain the 'new micro economics' of the labour market.
23. Describe rational expectation hypothesis.
24. How to pay for war ? Substantiate your arguments.
25. Describe the monetarist approach to inflation.
26. Examine the problems of BOP Disequilibrium.
27. Describe Expectation Augmented Phillips Curve.
28. Explain the policy implications of supply side economics.
29. Critically Explain the Kaldor's theory of business cycle.
30. What are the consequences of devaluation ?

(7 × 2 = 14 weightage)

### Part D (Essay Type Questions)

*Answer any two questions.*

*Each question carries 4 weightage.*

31. Explain the major postulations and policy implications of New Political macro economics.
32. Critically examine the policy implications of the Classical Equilibrium model.
33. What are the Keynesian critiques on classicism ? Explain Keynesian analysis of the labour market.
34. Describe the contributions of new classical macro economics.

(2 × 4 = 8 weightage)