

SECOND SEMESTER M.A. DEGREE EXAMINATION, APRIL 2021
ECONOMICS
FECO2C06-MACROECONOMICS: THEORIES AND POLICIES II

Time: 3 Hours**Maximum Weightage: 30****Part A: Multiple Choice Questions. All questions can be answered. Each carries $\frac{1}{5}$ weightage.**

1. Which of the following statement is true about the New Keynesian beliefs?
 - a) Prices are flexible in the short run
 - b) Prices are rigid in the short run due to transaction cost
 - c) New technology is the main cause of business cycle
 - d) Consumers do not behave according to rational expectation
2. Rationing Model was introduced by:
 - a) Minsky
 - b) Malinvaud
 - c) Kalecki
 - d) Clower
3. The idea of rational expectation was first put forward by:
 - a) John Muth
 - b) Nerlov
 - c) Baumol
 - d) Tobin
4. Who among the following is associated with 'Fooling Model'?
 - a) John Muth
 - b) Arthur Laffer
 - c) Milton Friedman
 - d) Robert Clive
5. The term Notional Demand was coined by:
 - a) Walras
 - b) Clower
 - c) Lucas
 - d) Leijvonhuvd
6. The severity of recession is known as:
 - a) Prosperity
 - b) Recession
 - c) Economic slow-down
 - d) Depression
7. The term NAIRU was put forward by:
 - a) A.W. Philips
 - b) Paul Samuelson
 - c) Milton Friedman
 - d) J.R. Hicks
8. The non- market clearing state when there is excess in both goods and labour market is:
 - a) Keynesian Unemployment
 - b) Classical Unemployment
 - c) Repressed Inflation
 - d) All of these
9. Many workers have lost their jobs due to installation of computers, which they do not know how to operate. This has caused:
 - a) Frictional Unemployment
 - b) Cyclical Unemployment
 - c) Voluntary Unemployment
 - d) Structural Unemployment
10. The Augmented Phillips curve is augmented by
 - a) Money illusion
 - b) Core inflation and supply shocks
 - c) Cyclical demand pressure
 - d) Output gaps
11. The sum of excess demand over all the goods in the entire economy must equal to:
 - a) Okun'law
 - b) Walras's Law
 - c) Edmond-Phelps relation
 - d) Lucas's model
12. The excessive expansion of the money supply is inherently inflationary, and that monetary authorities should focus solely on maintaining price stability, is the argument of:
 - a) Keynesians
 - b) Post Keynesians
 - c) Monetarists
 - d) New Classicalists
13. embodies the idea that the output depends on the difference between actual price level and expected price level.
 - a) Lucas supply function
 - b) Efficiency wage theory
 - c) Neo classical supply curve
 - d) Keynesian supply curve
14. Tradeoff between inflation and unemployment was first stated by:
 - a) Keynes
 - b) Friedman
 - c) Phelps
 - d) Philips

(PTO)

15. The unemployment which arises when real wage is greater than market clearing real wage is termed as
- | | |
|---------------------------|----------------------------|
| a) Keynesian Unemployment | b) Classical Unemployment |
| c) Repressed Inflation | d) Structural Unemployment |

(15 x 1/5 = 3 weightage)

Part B: Very short answer questions. All questions can be answered. Each carries *one* weightage (Ceiling 4 weightage).

16. Explain Inside Outside Model.
17. State Laffer curve.
18. What do you mean by NAIRU?
19. Critically evaluate Taylor Rule.
20. Discuss Small Menu Cost Model.
21. What is BOF in BOP statement?
22. Explain Financial Instability theory of Minsky.
23. State the role of government in maintaining economic stability.

Part C: Short answer questions. All questions can be answered. Each carries *three* weightage (Ceiling 15 weightage).

24. Explain Keynes's analysis of the labour market.
25. Differentiate the opportunistic and Partian model.
26. Explain expectations-augmented Phillips curve analysis.
27. Critically evaluate quantity theory of money approach.
28. Explain New Keynesian business cycle theory.
29. Discuss the Dual decision hypothesis theory.
30. Critically examine Keynes's rejection of Say's law of market.
31. Explain supply shocks and stagflation.
32. Explain the classical theory of employment.
33. Explain Lucas' surprise supply function.

Part D: Essay questions. All questions can be answered. Each carries *four* weightage (Ceiling 8 weightage).

34. Critically evaluate the rational expectation hypothesis of Lucas.
35. Critically examine the inconsistencies in the Keynesian economics pointed out by Clower and Neo-classical labour market.
36. Critically evaluate the policy implication of politico-economic models.
37. Explain the significance of Keynesian demand and supply management policies amidst political distortions and macro-economic performance of India.