

SECOND SEMESTER M.A. DEGREE EXAMINATION, JUNE 2019
(CUCSS)

Economics

EC 02 C06—MACRO ECONOMICS : THEORIES AND POLICIES—II
(2015 Admissions)

Three Hours

Maximum : 36 Weightage

Part A

Answer all questions.

Each question carries a weightage of $\frac{3}{4}$.

The classical economists believed that the demand for labour is a function of :

- (a) Total money wages. (b) Money wage rate.
(c) Total real wages. (d) Real wage rate.

In classical theory of employment, there is the possibility of :

- (a) Voluntary unemployment. (b) No unemployment.
(c) Involuntary unemployment. (d) Disguised unemployment.

The idea that a general cut in wages will finally lead to a state of full employment was suggested by :

- (a) Keynes. (b) Marshall.
(c) J.B. Say. (d) A.C. Pigou.

Robert Lucas is associated with _____ school of economics.

- (a) New classical. (b) Classical.
(c) Keynesians. (d) None.

Fluctuations in economic activities refers to _____.

- (a) Inflation. (b) Deflation.
(c) Business cycle. (d) None.

MPC means _____.

- (a) Marginal propensity to consume. (b) Ratio of change in consumption to income.
(c) Both (a) and (b). (d) None.

General equilibrium was developed by _____.

- (a) Walras. (b) Clower.
(c) Lucas. (d) None.

Turn over

8. Notional demand was developed by _____
 (a) Walras. (b) Clower.
 (c) Lucas. (d) None.
9. Relationship between tax rate and tax revenue depicted curve is called _____
 (a) Laffer curve. (b) Dual decision hypothesis.
 (c) Stagflation. (d) None.
10. Menu cost is related to _____
 (a) New Keynesian economics. (b) Classical.
 (c) New classical. (d) None.
11. The normal condition of a capitalist economy in classical theory is _____
 (a) Underemployment. (b) Full employment.
 (c) General unemployment. (d) Frictional unemployment.
12. The law which states that supply creates its own demand and overproduction is known as _____
 (a) The law of supply. (b) Say's law of market.
 (c) Law of demand. (d) Law of macro economics.

(12 × 1 = 12)

Part B

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

13. Cost of inflation. 14. Long run Philips curve.
 15. Underemployment equilibrium. 16. Wage rigidity.
 17. Types of inflation. 18. Laffer curve.
 19. Efficiency wage theory. 20. Causes of inflation.

(5 × 1 = 5)

Part C

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

21. Structuralist theory of inflation.
 22. Neoclassical labour market equilibrium.
 23. DMP model.
 24. Over investment theory of Hayek.
 25. Kaldor theory of business cycle.
 26. Rational expectation hypothesis.

27. Techniques of monetary policy.
28. Keynesian labour market equilibrium.
29. Inside and outsider model.
30. Real business cycle theory.
31. Augmented Philips curve.

Part D

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

32. Hicks theory of business cycle.
33. New Keynesian economics.
34. Dynamic stochastic general equilibrium model.
35. Fiscal policy under fixed exchange rate.
36. Mundell-flemming model.