

C 22862

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Name.....

Reg. No.....

SECOND SEMESTER P.G. DEGREE EXAMINATION, APRIL 2022

(CCSS)

Economics

ECO 2C 06—DEVELOPMENTS IN MODERN MACRO ECONOMICS

(2019 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A (Multiple Choice Questions)*Answer all questions.**Each question carries 1 mark.*

1. Recessions are considered as coordination failure by :
 - (a) Monetarist.
 - (b) New Keynesians.
 - (c) Supply side economics.
 - (d) New classicals.
2. Supporters of Ricardian equivalence argue that :
 - (a) National saving would be unaffected by tax cut.
 - (b) National saving would increase by tax cut.
 - (c) National saving would decrease by tax cut.
 - (d) All of the above.
3. A rapid and decisive reduction in growth rate of money supply aimed at reducing the rate of inflation is called :
 - (a) Cold turkey.
 - (b) Gradualism.
 - (c) Reflation.
 - (d) None of the above.
4. The long-run Phillips curve is :
 - (a) Horizontal.
 - (b) Perfectly inelastic straight line.
 - (c) Positively sloped.
 - (d) None of the above.

Turn over

5. According to classical economists, which type of unemployment will not exist in the long run ?
- (a) Structural unemployment.
 - (b) Frictional unemployment.
 - (c) Voluntary unemployment.
 - (d) Involuntary unemployment.
6. According to the new classical model :
- (a) Unanticipated policy has no effect.
 - (b) Only anticipated policy can influence the business cycle.
 - (c) Anticipated policy has no effect on the business cycle.
 - (d) None of the above is true.
7. The hypothesis that technological shocks are the driving force behind short-run economic fluctuations is associated with :
- (a) Lucas critique.
 - (b) Rational expectation hypothesis.
 - (c) RBC theory.
 - (d) None of the above.
8. The theory of hysteresis explains why :
- (a) The long-run Phillips curve is vertical at the natural unemployment rate.
 - (b) Inflationary expectations do not adjust quickly to changes in the inflation rate.
 - (c) A change in the demographics of the labour force can cause the natural unemployment rate to change.
 - (d) A recession might increase the natural unemployment rate.
9. Supply side economists argue that unemployment exists because :
- (a) Wages are too low.
 - (b) Wages are set too high.
 - (c) Skilled labours are in short supply.
 - (d) None of these options.
10. According to the basic classical model, an increase in the money supply will cause :
- (a) Investment to increase.
 - (b) Employment to increase.
 - (c) The price level to increase.
 - (d) Output to increase

(10 × 1 = 10 marks)

Part B (Very Short Answer Questions)

*Answer any **five** questions.
Each question carries 2 marks.
Answer in one **or** two sentences each.*

11. Shoe leather cost.
12. Explain Stagflation.
13. Inside lag.
14. Laffer curve.
15. Taylor rule.
16. Lucas critique.
17. Solow residuals.
18. Misery index.

(5 × 2 = 10 marks)

Part C (Short Answer Questions)

*Answer any **eight** questions.
Each question carries 5 marks.*

19. Explain Classical dichotomy.
20. Define Sacrifice ratio.
21. What is meant by the “time inconsistency” of economic policy ?
22. Discuss the Monetarist’s view on Great Depression.
23. Explain Barro-Ricardo equivalence.
24. State Inter-temporal substitution of labour.
25. Explain the postulates of New classicals.
26. State the postulates of Supply side Economics.
27. What is neutrality of money ?
28. Explain Rational expectation hypothesis.

Turn over

29. Briefly explain the adaptive expectation hypothesis.
30. Define Keynes notion of aggregate demand.

(8 × 5 = 40 marks)

Part D (Essay Type Questions)

*Answer any **two** questions.
Each question carries 10 marks.*

31. Critically examine the major postulates of Classicals.
32. Briefly examine the conduct of monetary policy.
33. Elucidate the RBC theory.
34. Discuss the neo- Keynesian Quantity Constrained model.

(2 × 10 = 20 marks)