

Name:

Reg. No.:

SECOND SEMESTER M.A.ECONOMICS DEGREE EXAMINATION, JUNE 2017
(CCSS)

2013 Admission

ECO CO6 - DEVELOPMENTS IN MODERN MACRO ECONOMICS

Time: Three Hours

Maximum: 80 Marks

PART A

Answer all questions.

Each question carries 1 mark.

1. Which of the following economists constructed a multiplier-accelerator model?

(a) Keynes	(b) Baumol
(c) Samuelson	(d) Schumpeter
2. The idea of rational expectations was first put forward by:

(a) John Muth	(b) Nerlov
(c) Baumol	(d) Tobin
3. Keynesian labour market is characterized by:

(a) wage rigidity	(b) wage flexibility
(c) both wage rigidity and flexibility	(d) none of these
4. Rationing model was introduced by:

(a) Minsky	(b) Malinvaud
(c) Kalecki	(d) Clower
5. Phillips curve shows the relationship between unemployment and:

(a) saving	(b) wage rate
(c) consumption	(d) investment
6. Which of the following is not an anti-inflationary measure?

(a) Increase in bank rate	(b) higher CRR
(c) credit rationing	(d) increase in public expenditure
7. Administrative lag is otherwise referred to as

(a) Operation Lag	(b) Recognition lag
(c) Decision Lag	(d) Effect Lag
8. New classical macroeconomics was developed by

(a) Robert-Lucas	(b) Say
(c) Keynes	(d) Ricardo
9. Which of the following is not a feature of Keynesian theory

a) underemployment equilibrium	b) full employment equilibrium
c) continuous market clearing	d) All the above

Turn over

10. Which of the following is true

- (a) Sticky Prices is a feature of classical model
- (b) Real business cycle theory focuses on supply and demand of money
- (c) Rational expectations hypothesis belongs to new classical school
- (d) None of the above

(10 x 1 = 10 marks)

Part B

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

- 11. Explain microfoundations of macroeconomics.
- 12. What is Cash advance model? Explain.
- 13. Explain the concept of NAIRU.
- 14. State and explain the concept of Barro-Ricardian equivalence.
- 15. What do you mean by overlapping generations model?
- 16. Analyse the importance of Okuns Law.
- 17. Examine the quantity theory of money.
- 18. Examine Small menu cost model.
- 19. Trace the relationship between Real business cycle theory and technological shocks.
- 20. Outline Lucas Critique and policy ineffectiveness.
- 21. What do you mean by vogels Monetarists prepositions?
- 22. Briefly explain Says identity and equality.

(8 x 5 = 40 marks)

Part C

*Answer any two questions
Each question carries 15 marks.*

- 23. Critically analyse the structure of the new classical model.
- 24. Briefly explain the importance of Clower and Leijonhufvuds contributions
- 25. Expain in detail the the monetary approach to the BOP theory.
- 26. Examine the concept of underemployment equilibrium and its importance.

(2 x 15 = 30 marks)
