

SECOND SEMESTER M.A. DEGREE EXAMINATION, JUNE 2015
(CCSS)

Economics

ECO 2C 06—DEVELOPMENTS IN MODERN MACRO ECONOMICS

(2013 Admission onwards)

Time : Three Hours

Maximum : 80 Marks

Part A

*Answer all questions.
Each question carries 1 mark.*

1. Which of the following is not a classical assumption :
 - (a) Perfect competition.
 - (b) Flexibility of price and wages.
 - (c) Fully employment only as a consequence of inflation.
 - (d) Deficiency in demand is impossible.
2. What is true of Keynes theory of employment :
 - (a) Long term analysis.
 - (b) Stability of aggregate supply function in the short run.
 - (c) Investment.
 - (d) Full employment equilibrium.
3. Philips curve hypothesis was based on data relating to :
 - (a) U.S.A.
 - (b) U.K.
 - (c) Europe.
 - (d) None.
4. A situation of simultaneous high inflation and large unemployment is called :
 - (a) Roflation.
 - (b) Disinflation.
 - (c) Stagflation.
 - (d) Recession.
5. Rational expectation hypothesis is otherwise called as :
 - (a) Ratex hypothesis.
 - (b) Fiscal hypothesis.
 - (c) John hypothesis.
 - (d) Lucas hypothesis.
6. Aggregate supply hypothesis is based on the following assumptions :
 - (a) Supply of labour depends (or) relative prices.
 - (b) Supply of labour doesn't depend on prices.
 - (c) Output.
 - (d) Employment.

Turn over

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7. Money plays _____ role in the real business cycle theory.
(a) No. (b) Important.
(c) Significant. (d) None.
8. The real business cycle theory is based on the assumption :
(a) Prices are flexible. (b) Population increases.
(c) Two sector economy. (d) Increasing return to scale.
9. Who developed the implicit contract theory :
(a) Baily. (b) Azariades.
(c) Baily and Azariades. (d) None.
10. Insider and outsider theory was developed by :
(a) Lindback and Snower. (b) Keynes.
(c) Baily. (d) Friedman.

(10 × 1 = 10 marks)

Part B

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

11. Examine cash in advance model.
12. Describe Okun's law.
13. Explain in detail inflation trade off.
14. What is adaptive expectation hypothesis ?
15. Write a note on the Monetarists view on Quantity theory approach.
16. Examine briefly the equilibrium business cycle theory.
17. Examine the views of Neo classical on output and employment.
18. Describe the Barro-Ricardo equivalence.
19. Explain the views of Real Business cycle school on technology shocks.
20. Examine the views of Real Business cycle school on flexibility of wages and prices.
21. Write a note on staggering prices.
22. Examine the implicit wage contract theory.

(8 × 5 = 40 marks)

Part C

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

23. Examine in detail the interpretations of Clower and Leijonhufvud.
24. Critically examine the equilibrium business cycle theory.
25. Describe in detail cash in advance model.
26. Examine the inter temporal substitution of labour.

(2 × 15 = 30 marks)