

SECOND SEMESTER M.A. DEGREE EXAMINATION, JUNE 2016

(CCSS)

Economics

ECO 2C 06—DEVELOPMENTS IN MODERN MACROECONOMICS

(2013 Admissions)

Time : Three Hours

Maximum : 80 Ma

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

1. New classical macroeconomics was developed by :
 - (a) Robert Lucas.
 - (b) Say.
 - (c) Keynes.
 - (d) Ricardo.
2. The new classical macroeconomics is based on the following hypothesis :
 - (a) Markets continuously unclear.
 - (b) Aggregate demand.
 - (c) Future expectations.
 - (d) Markets continuously clear.
3. The new Keynesian economics is based on the assumption :
 - (a) Nominal wages are fixed.
 - (b) Nominal wages are sticky.
 - (c) Nominal wages are equal to real wages.
 - (d) None.
4. Supply siders regarded tax _____ as an effective means of raising the growth rate of the economy.
 - (a) Increase
 - (b) Stagnant.
 - (c) Cut.
 - (d) Nil.
5. According to real business cycle theory _____ guides the economy.
 - (a) Invisible Land.
 - (b) Government.
 - (c) Fiscal Policy.
 - (d) Labour.

20. Explain
21. W
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6. The theory of real business cycles explains short run :
(a) Money supply. (b) Economic fluctuations.
(c) Prices. (d) Wages.
7. Aurther Okun established a relationship between real GNP and changes in the _____.
(a) Unemployment rate. (b) Employment rate.
(c) Inflation. (d) Depression.
8. Administrative lag is otherwise referred to as :
(a) Operation lag. (b) Recognition lag.
(c) Decision lag. (d) Effect lag.
9. Crowding out refers to the reduction in private :
(a) Investment. (b) Savings.
(c) Purchase of raw materials. (d) Tax.
10. The process of increase in investment and employment via reduction in money wages and interest rate is called the :
(a) Keynes effect. (b) Pigou effect.
(c) Wealth effect. (d) Patinkin's effect.

(10 × 1 = 10 marks)

Part B

*Answer any **eight** questions.*

Each question carries 5 marks.

11. Explain the concept of under employment equilibrium.
12. Examine Walrasian general equilibrium theory.
13. Describe the overlapping Generations model.
14. Examine the monetarists debates in policy effectiveness.
15. Write a note on Adaptive Expectation hypothesis.
16. Describe the equilibrium business cycle theory.
17. Write a note on continuous Market clearing.
18. Examine the Lucas views on output and employment level.
19. Examine the Real Business cycle views on neutrality of money.

20. Explain the Real Business cycle view on Great Depression.
21. Write a note on Insider - Outsider model.
22. Examine the supply side views on Fiscal policy.

(8 × 5 = 40 marks)

Part C

*Answer any **two** questions.*

Each question carries 15 marks.

23. Critically examine the neo-keynesian quantity constrained model.
24. Describe the Real Business cycle theory.
25. Explain in detail the expectations Augmented Philips curve.
26. Critically examine Keynes interpretation of Great Depression.

(2 × 15 = 30 marks)