

SECOND SEMESTER P.G. DEGREE EXAMINATION, APRIL 2020

(CCSS)

Economics

ECO 2C 06—DEVELOPMENTS IN MODERN MACRO ECONOMICS

(2018 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A*Answer all questions.**Each question carries 1 mark.***Multiple choice Questions :**

1. The new classical proposition of anticipated or expected policy has no effect on the output of the economy is called :
 - a) Tax wedge.
 - b) Uncertainty.
 - c) Reaganomics.
 - d) Policy ineffectiveness.
2. A situation where all prices in an economy are continuously adjusted with relation to a price index by force of contracts is called :
 - a) Misery Index.
 - b) Growth Index.
 - c) Inertial inflation.
 - d) Price wage index.
3. Which among the following economist is associated with Chicago school ?
 - a) Stigler.
 - b) Coase.
 - c) Buchanan.
 - d) All the above.
4. The level of the unemployment rate at which prices rise at the same rate that they are expected to rise, and thus at which (since expectations needn't change) the rate of inflation does not then rise or fall is known as :
 - a) Frictional unemployment.
 - b) NAIRU.
 - c) Structural unemployment.
 - d) Cyclical unemployment.
5. Which of the following consider fiscal policy, as the main instrument of economic management ?
 - a) Keynesians.
 - b) Supply-side economists.
 - c) Both (a) and (b).
 - d) Monetarists.

Turn over

6. The classical postulate of full employment was consistent with :
- Voluntary and frictional unemployment.
 - Underemployment.
 - Involuntary unemployment.
 - Educated and cyclical unemployment.
7. The rationale that underlie efficiency wage models imply that firms will set the real wage :
- Equal to money wage.
 - Fixed.
 - Below the market clearing level.
 - Above the market clearing level.
8. Which hypothesis asserts that people use all available relevant information to make economic forecasts about the price level :
- Adaptive expectation hypothesis.
 - NAIRU.
 - Rational expectation hypothesis.
 - Hysteresis.
9. According to modern monetary approach Balance of Payment disequilibrium is a :
- Real phenomenon.
 - Monetary phenomenon.
 - Imbalance between demand for and supply of commodities.
 - Imbalance in foreign trade.
10. According to Keynes the massive unemployment in the 1930s in Great Britain was due to :
- Deficiency in aggregate demand.
 - High investment demand.
 - Excess aggregate demand.
 - High consumption demand.

(10 × 1 = 10 marks)

Part B (Very Short Questions)

Answer all questions.

Each question carries 2 marks.

Answer in one or two sentences each.

- What is Misery Index ?
- Distinguish between short run and long run Phillips curves.
- What is rational expectation ?
- What do you mean by supply shock ?
- What is seigniorage revenue ?

(5 × 2 = 10 marks)

Part C (Short Answer Questions)

Answer any eight questions.

Each question carries 5 marks.

16. Illustrate the classical aggregate supply curve.
17. Explain the policy conclusions followed from monetarist propositions.
18. What are the determinants of natural rate of unemployment ?
19. Write a note on stagflation.
20. Debate Keynesians Vs Monetarists.
21. What is Expectations Augmented Phillips curve ?
22. Explain Efficiency Wage theory.
23. Explain the micro foundation of cyclical behaviour of wages.
24. Write a note on the Great Depression of 1930s.
25. Explain Okun's law.
26. Briefly explain the major propositions of New Keynesian economics.
27. Describe Laffer curve.

(8 × 5 = 40 marks)

Part D (Essay Type Questions)

Answer any two questions.

Each question carries 10 marks.

28. Examine unemployment-inflation trade off and the Phillips curve.
29. Describe Adaptive Expectation Hypothesis and NAIRU.
30. Describe the structure of New Classical macroeconomics.
31. Explain the Dual Decision Hypothesis by Clower.

(2 × 10 = 20 marks)