

C 40280

(Pages : 4)

Name.....

Reg. No.....

**SIXTH SEMESTER (CUCBCSS—UG) DEGREE EXAMINATION
MARCH 2023**

Economics

ECO 6B 11—MACRO ECONOMICS—II

(2017—2018 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A (Objective Type Questions)

*Answer all twelve questions.
Each question carries ½ mark.*

1. According to the Quantity Theory of Money, the value of money depends upon :
 - (a) Purchasing power of money.
 - (b) Demand for money.
 - (c) Quantity of money in circulation.
 - (d) Price level.
2. Identify the name which is not associated with under consumption theory :
 - (a) Pigou.
 - (b) Malthus.
 - (c) Marx.
 - (d) Hobson.
3. An increase in the supply of real money balances will cause :
 - (a) The LM curve to shift up and to the left.
 - (b) The IS curve to shift up and to the left.
 - (c) The IS curve to shift down and to the right.
 - (d) The LM curve to shift down and to the right.
4. Okun's Law looks at the statistical relationship between :
 - (a) GDP and unemployment.
 - (b) Inflation and unemployment.
 - (c) Inflation and interest rate.
 - (d) None of these.
5. High-powered money is also known as:
 - (a) Base money.
 - (b) Reserve money.
 - (c) Narrow money.
 - (d) All of the above.

Turn over

6. Identify the group who suffer most during inflation :
- (a) Wage and salary earners.
 - (b) Creditors.
 - (c) Debtors.
 - (d) Businessman.
7. Who holds the view that the demand for money depends on the risk and return associated with money and other forms of assets ?
- (a) Pigou.
 - (b) Tobin.
 - (c) Friedman.
 - (d) Keynes.
8. Phillip's curve shows the relationship between :
- (a) Employment and inflation.
 - (b) Unemployment and output growth.
 - (c) Unemployment and increase in money wages.
 - (d) All of the above.
9. Who stated, "*Bad money drives good money out of circulation, when both of them are full legal tender*" ?
- (a) Irving Fisher.
 - (b) Milton Friedman.
 - (c) J. M. Keynes.
 - (d) Thomas Gresham.
10. Which is not a quantitative method of credit control ?
- (a) Bank rate.
 - (b) Moral suasion.
 - (c) Open market operations.
 - (d) Change in CRR.
11. Liquidity preference theory of the interest rate suggests that the interest rate is determined by :
- (a) Aggregate supply and aggregate demand.
 - (b) Supply and demand for loanable funds.
 - (c) Supply and demand for money.
 - (d) Supply and demand for labor.

12. Hayek's theory of trade cycle is called :
- (a) Overinvestment theory.
 - (b) Over consumption theory.
 - (c) Innovation theory.
 - (d) Under consumption theory.

(12 × ½ = 6 marks)

Part B

*Answer any ten questions.
Each question carries 2 marks.*

- 13. Distinguish between inflation and deflation.
- 14. What do you mean by non-accelerating inflation rate of unemployment ?
- 15. What do you mean by sacrifice ratio ?
- 16. What are the three motives discussed in liquidity preference theory ?
- 17. Differentiate between inside money and outside money.
- 18. Define liquidity trap.
- 19. State Okun's Law.
- 20. What is contra cyclical fiscal policy ?
- 21. Prepare a note on IS curve.
- 22. What is meant by open economy ?
- 23. What is inflationary gap ?
- 24. Define disguised unemployment.

(10 × 2 = 20 marks)

Part C

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

- 25. What are the secondary functions of money ?
- 26. Explain Friedman's re-statement of quantity theory of money.
- 27. Distinguish between demand pull and cost push inflation.
- 28. What are the instruments of monetary policy ?

Turn over

29. Discuss the fiscal measures to control inflation.
30. Explain H-theory of money supply.
31. Illustrate IS-LM model with government sector.
32. Distinguish between recession and depression. Point out the features of these stages.

(6 × 5 = 30 marks)

Part D

Answer any two questions.

Each question carries 12 marks.

33. Critically examine Fisher's quantity theory of money.
34. Examine the relative effectiveness of monetary and fiscal policies with the help of IS-LM model.
35. What is meant by trade cycle? Explain Hick's theory of trade cycle.
36. *In the long run there is no trade-off between inflation and unemployment.* Substantiate this statement.

(2 × 12 = 24 marks)

C 20326

(Pages : 4)

Name.....

Reg. No.....

SIXTH SEMESTER (CUCBCSS—UG) DEGREE EXAMINATION, MARCH 2022

Economics

ECO 6B 11—MACRO ECONOMICS—II

(2014—2018 Admissions)

Time : Three Hours

Maximum : 80 Marks

*Answers may be written either in English or in Malayalam.***Part A***Answer all questions.**Each question carries ½ mark.*

1. It is impossible to increase the level of output due to monetary policy, if the LM curve is :
 - (a) Perfectly elastic.
 - (b) Perfectly inelastic.
 - (c) Relatively elastic.
 - (d) Relatively inelastic.
2. The demand for money for active cash balance is :
 - (a) Positively related to income level.
 - (b) Negatively related to interest rate.
 - (c) Positively related to income level and interest rate.
 - (d) Negatively related to income level and interest rate.
3. IS Curve shift forward when :
 - (a) Investment function shift forward and saving function shift forward.
 - (b) Investment function shift forward and saving function shift backward.
 - (c) Investment function shift backward and saving function shift backward.
 - (d) Investment function shift backward and saving function shift forward.
4. According to Baumol's theory of demand for money :
 - (a) Transaction demand for money is interest inelastic.
 - (b) Speculative demand for money is interest inelastic.
 - (c) Transaction demand for money is interest elastic.
 - (d) Speculative demand for money depends on level of income.

Turn over

5. A rapid and decisive reduction in growth rate of money supply aimed at reducing the rate of inflation :
- (a) Disinflation. (b) Cold turkey.
(c) Built-in-stabilizers. (d) Taylor rule.
6. The concept of inflationary gap was first developed by :
- (a) J. M. Keynes. (b) David Riccardo.
(c) Milton Friedman. (d) H. G. Johnson.
7. _____ is the aggregate stock of money during a period of time.
- (a) Narrow Money. (b) Outside Money.
(c) High Powered Money. (d) None of the above.
8. The concept of inflationary gap was given by _____.
- (a) Wicksell. (b) Keynes.
(c) Milton Friedman. (d) A. W. Phillips.
9. Which of the following is not an essential characteristic of business cycle ?
- (a) Recurrent nature. (b) Cumulative in effect.
(c) Regular. (d) All pervading in their impact.
10. The amount by which the real Gross domestic product, or real GDP, exceeds potential GDP, is referred to as
- (a) Inflationary gap. (b) Deflationary gap.
(c) Recessionary gap. (d) None of these.
11. Bottle-neck inflation is a situation that sets in _____.
- (a) After the point of full employment.
(b) Before the point of full employment.
(c) After imposing price controls.
(d) During war period.
12. If the government's anti inflationary policy is not viewed as credible, it results in :
- (a) Self-fulfilling inflation. (b) Deflation.
(c) Disinflation. (d) Stable prices.

(12 × ½ = 6 marks)

Part B (Very Short Answer Questions)

*Answer any ten questions.
Each question carries 2 marks.*

13. What are the properties of IS Curve ?
14. Describe the phases of business cycle.
15. What is meant by fiscal stabilization policy ?
16. Monetary base.
17. Money multiplier.
18. Velocity of circulation.
19. IS-LM Curve.
20. Disguised unemployment.
21. Sacrifice ratio.
22. Devaluation of currency.
23. Okun's law.
24. Philips curve.

(10 × 2 = 20 marks)

Part C (Short Essay Questions)

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

25. What is the purpose of computing GNP deflator ?
26. Explain Friedman's re-statement of quantity theory of money ?
27. What is meant by 'Inflationary Gap' ?
28. What is the superiority of cash balance approach over transaction approach to demand for money ?
29. Distinguish between demand pull inflation and cost push inflation.
30. Explain Fisher's quantity theory of money.
31. Examine unemployment inflation trade-off.
32. Describe the monetary theory of business cycle.

(6 × 5 = 30 marks)

Turn over

Part D (Essay Questions)

*Answer any two questions.
Each question carries 12 marks.*

33. Illustrate General Equilibrium using IS-LM curves.
34. What are the differences between Fisherian and Cambridge versions of quantity theory of money ?
35. Describe the measures to control inflation and deflation in an economy.
36. Illustrate the trade-off between inflation and unemployment. Bring out its policy implications.

(2 × 12 = 24 marks)

C 21239

(Pages : 3)

Name.....

Reg. No.....



SIXTH SEMESTER B.A. DEGREE EXAMINATION, MARCH 2017

(CUCBCSS—UG)

Economics

ECO 6B 11—MACRO ECONOMICS—II

Time : Three Hours

Maximum : 80 Marks

Answers may be written either in English or in Malayalam.

Part A

Answer all questions.

Each question carries ½ mark.

1. Quantity theory of money was first propounded by _____.
(a) David Ricardo. (b) David Hume.
(c) J S Mill. (d) Davanzatti.
2. _____ is the aggregate stock of money during a period of time.
(a) Narrow Money. (b) Outside Money.
(c) High Powered Money. (d) None of the above.
3. The concept of inflationary gap was given by _____.
(a) Wicksell. (b) Keynes.
(c) Milton Friedman. (d) A W Phillips.
4. Which of the following is not an essential characteristic of business cycle?
(a) Recurrent nature. (b) Cumulative in effect.
(c) Regular. (d) All pervading in their impact.
5. A shift in LM curve to the right is caused by the _____.
(a) Increase in money supply. (b) Decrease in money supply.
(c) Decrease in income. (d) Rise in demand for money.
6. Bottle-neck inflation is a situation that sets in _____.
(a) After the point of full employment.
(b) Before the point of full employment.
(c) After imposing price controls.
(d) During war period.

Turn over

7. If the government's anti inflationary policy is not viewed as credible, it results in
- (a) Self-fulfilling inflation. (b) Deflation.
(c) Disinflation. (d) Stable prices.
8. Which of the following groups will not be hurt by inflation ?
- (a) Individuals on fixed incomes.
(b) Borrowers at fixed interest rates.
(c) Retail store owners.
(d) Lenders at fixed interest rates.
9. Which of the following will be the outcome of stagflation ?
- (a) Unemployment goes down.
(b) The price level goes down.
(c) Phillips curve shifts rightward.
(d) Real GDP increases.
10. Which of the following theory of business cycle has been given by Haw trey ?
- (a) Purely monetary. (b) Monetary over investment.
(c) Real over investment. (d) Under consumption.
11. Pick out the item not included in BOPs current account ?
- (a) Merchandise. (b) Travel and transportation.
(c) Transfer payments. (d) Foreign investments.
12. Doctrine of sound finance supports.
- (a) Deficit budget. (b) Surplus budget.
(c) Balanced budget. (d) Enlarged budget.

(12 × ½ = 6 marks)

Part B (Very Short Answer Questions)

*Answer any ten questions.
Each question carries 2 marks*

13. Explain the classical theory of demand for money.
14. Distinguish between demand pull and cost push inflation.
15. Differentiate between money and near money.

16. Explain the concept of liquidity trap.
17. What do you mean by stagflation ?
18. Briefly explain Haw trey's theory of inflation.
19. What is inflationary gap ?
20. Explain briefly the types of unemployment.
21. Explain Okun's law.
22. Define monetary policy.
23. What are the negative effects of inflation ?
24. Define mixed inflation.

(10 × 2 = 20 marks)

Part C (Short Essay Questions)

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

25. Explain the nature and function of money.
26. What are the important determinants of money supply ?
27. Define the term inflation. What are different types of inflation ?
28. Examine Friedman's view on Phillips curve.
29. Explain the concept of disequilibrium in the BOP. State the causes of disequilibrium.
30. What is fiscal policy? State the objectives of fiscal policy in a developing country like India.
31. Critically evaluate Keynesian theory of business cycle.
32. What are the typical phases of business cycle ?

(6 × 5 = 30 marks)

Part D (Essay Questions)

*Answer any two questions.
Each question carries 12 marks.*

33. Define and derive IS and LM curve. How do they determine general equilibrium?
34. State and explain the term money supply. Discuss different approach to the measurement of money supply.
35. Explain the relative effectiveness of monetary and fiscal policy.
36. Critically evaluate the theory of Phillips curve and explain its policy implication.

(2 × 12 = 24 marks)



SIXTH SEMESTER B.A. DEGREE EXAMINATION, MARCH/APRIL 2018

(CUCBCSS—UG)

Economics

ECO 6B 11—MACRO ECONOMICS—II

Time : Three Hours

Maximum : 80 Marks

Part A*Answer all questions.**Each question carries ½ mark.*

1. IS function shift forward, when investment function shift :
 - (a) Forward.
 - (b) Backward.
 - (c) Remain the same.
 - (d) None of these.
2. An increase in the money supply have no effect upon equilibrium income, if :
 - (a) LM is steeply sloped and IS is relatively flat.
 - (b) LM is steeply sloped and IS is vertical.
 - (c) LM is vertical and Is is steeply sloped.
 - (d) LM is relatively flat as the IS.
3. It is impossible to increase the level of Output due to monetary policy, if the LM curve is :
 - (a) Perfectly elastic.
 - (b) Perfectly inelastic.
 - (c) Relatively elastic.
 - (d) Relatively inelastic.
4. Ceteris paribus, in the neoclassical ISLM model, fiscal policy leading to the forward shifting of IS schedule cannot alter the level of real national output due to :
 - (a) Price rigidity.
 - (b) Crowding out effect.
 - (c) Increased taxation.
 - (d) Constant interest rate.
5. When there is a recession plus a high inflation rate, it is :
 - (a) Stagnation.
 - (b) Stagflation.
 - (c) Augmented inflation.
 - (d) Repressed inflation.

Turn over

6. At the natural rate of unemployment, Phillips curve becomes :
- (a) Vertical (b) Downward sloping flat
(c) Horizontal (d) Downward sloping steep
7. Components of Demand for money for Active Cash Balance is, demand for money for :
- (a) Transaction motive and Speculative motive.
(b) Transaction motive and Precautionary motive.
(c) Speculative motive and Precautionary motive.
8. Under a fixed exchange rate system, when domestic currency is it is moved to a lower parity in terms of vehicle currency is :
- (a) Appreciation. (b) Depreciation.
(c) Devaluation. (d) Revaluation.
9. Who is the author of the book, 'A Treatise on Money' ?
- (a) Milton Friedman. (b) J. M. Keynes.
(c) C. P. Kindleberger. (d) A. C. Pigou.
10. Persistent rise in the general level of prices and fall in the value of money is referred to as :
- (a) Inflation. (b) Deflation.
(c) Stagnation. (d) Stagflation.
11. Which of the following is typically caused by a recession ?
- (a) An increase in structural unemployment.
(b) An increase in frictional unemployment.
(c) An increase in cyclical unemployment.
(d) Decrease in natural rate of unemployment.
12. Which of the following group will not be hurt by inflation ?
- (a) Individuals on fixed income. (b) Borrowers at fixed interest rates.
(c) Lenders at fixed interest rates. (d) All the above.

(12 × ½ = 6 marks)

Part B (Very Short Answer Questions)

Answer any ten questions.

Each question carries 2 marks.

13. What are the types of money ?

14. Define Liquidity trap.

15. What are the components of Keynesian demand for money ?
16. What is money multiplier ?
17. Define sacrifice ratio.
18. State Okun's law.
19. Define stagflation.
20. State Phillips curve.
21. What is IS Curve ?
22. Write a note on long run Philips curve.
23. What are the types of unemployment ?
24. What are the phases of trade cycle ?

(10 × 2 = 20 marks)

Part C (Short Essay Questions)

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

25. Write a note on economic cost of inflation.
26. What are the measures of money supply in India ?
27. Describe Patinkin's view on money and prices.
28. Explain Fisher's quantity theory of money.
29. Examine unemployment inflation trade-off.
30. Describe the monetary theory of business cycle.
31. Illustrate the slope of LM Curve and explain their implications.
32. Explain Kaldor's model of trade cycle.

(6 × 5 = 30 marks)

Part D (Essay Questions)

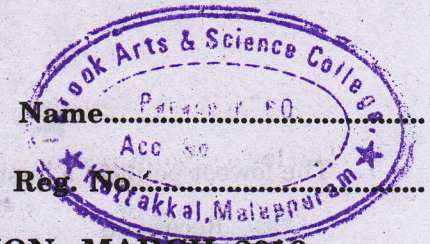
*Answer any two questions.
Each question carries 12 marks.*

33. Explain Keynesian theory of interest determination.
34. Describe IS-LM Model.
35. Explain *Four* sector economic model IS-LM-BOP Schedule.
36. Discuss the objective of monetary management in a developing economy.

(2 × 12 = 24 marks)

C 60213

(Pages : 3)



SIXTH SEMESTER B.A. DEGREE EXAMINATION, MARCH 2019

(CUCBCSS)

Economics

ECO 6B 11—MACROECONOMICS—II

Time : Three Hours

Maximum : 80 Marks

Section A (Objective Type Questions)

Answer all questions.

Each question carries ½ mark.

1. What fiscal measures should be adopted in inflation :
 - (a) Increase in public expenditure.
 - (b) Increase in taxes.
 - (c) Increase in deficit.
 - (d) All of the above.
2. The most liquid form of all assets is :
 - (a) Bonds.
 - (b) Debentures.
 - (c) Currency.
 - (d) Bill of Exchange.
3. The type of inflation which occurs due to rise in wages :
 - (a) Cost push.
 - (b) Stagflation.
 - (c) Profit push.
 - (d) Hyper inflation.
4. Which of the following is a concept of broad money ?
 - (a) M_1 .
 - (b) M_2 .
 - (c) M_3 .
 - (d) M_4 .
5. The monetary policy by which the central bank purchase and sell government securities :
 - (a) Bank rate policy.
 - (b) Margin requirements.
 - (c) Open market operation.
 - (d) Credit rationing.
6. The current base year for the measurement of inflation in India is :
 - (a) 2004-05.
 - (b) 2011-12.
 - (c) 2000-2001.
 - (d) 2009-10.

Turn over

7. The lowest point in a business cycle is known as :
- (a) Recession. (b) Peak.
(c) Depression. (d) Trough.
8. IS curve has a _____ slope.
- (a) Negative. (b) Positive.
(c) Parallel. (d) No slope.
9. The concept of multiplier was first developed by :
- (a) J.M. Keynes. (b) J.R. Hicks.
(c) Hansen. (d) A. F. Khan.
10. For an open economy model which curve is added to the IS-LM :
- (a) J curve. (b) Demand curve.
(c) BP curve. (d) Ms curve.
11. A situation in which a person does not get the type of work he is capable of doing is known as :
- (a) Structural unemployment. (b) Under employment.
(c) Natural rate of unemployment. (d) Open unemployment.
12. Lon run Philips curve is :
- (a) Vertical. (b) Horizontal.
(c) Parallel. (d) Kinked.

(12 × ½ = 6 marks)

Section B (Very Short Answer Questions)

Answer any ten questions.

Each question carries 2 marks.

13. What is money ?
14. What is money multiplier ?
15. What is GDP deflator ?
16. Define natural rate of unemployment.
17. Distinguish between demand pull and cost push inflation.
18. What are the phases of a business cycle ?
19. Define structural unemployment.
20. Define BP curve.

21. Explain the slope of the LM curve.
22. What is liquidity trap ?
23. State the monetary theory of inflation.
24. How can income policy be used to control inflation ?

(10 × 2 = 20 marks)

Section C (Short Essay Questions)

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

25. What are the different types of inflation ?
26. What is monetary policy ? What are the various instruments of monetary policy ?
27. Examine Fischer's quantity theory of exchange.
28. State the factors that lead to a shift in the IS curve to the right.
29. Briefly explain Keynes theory of business cycle.
30. Explain Okun's law.
31. What are the determinants of money supply in an economy ?
32. Distinguish between Keynesian transaction demand for money and speculative demand for money.

(6 × 5 = 30 marks)

Section D (Essay Questions)

*Answer any two questions.
Each question carries 12 marks.*

33. Explain diagrammatically how the IS curve is an important tool in determining goods market equilibrium.
34. Critically examine the concept of short run and long run Philips curve.
35. Explain Friedman's reformulation of the quantity theory of money.
36. How did money evolve as a medium of exchange ? Examine the various functions of money.

(2 × 12 = 24 marks)

C 80391

(Pages : 4)

Name.....

Reg. No.....

SIXTH SEMESTER B.A./B.Sc. DEGREE EXAMINATION, MARCH 2020

(CUCBCSS—UG)

Economics

ECO 6B 11—MACRO ECONOMICS—II

Time : Three Hours

Maximum : 80 Marks

Section A (Objective Type Questions)

Answer all twelve questions.

Each question carries ½ mark.

1. Hyper inflation is generally caused by :
 - a) Wide spread shortages due to a bad harvest.
 - b) Continuous expansion of money supply to finance the deficit of the government.
 - c) A large decline in corporate profit.
 - d) A trade surplus due to the maximization of export and minimization of import.
2. Speculative demand for money depends on :
 - a) Income.
 - b) Investment.
 - c) Rate of interest.
 - d) Money supply.
3. In the equation $MV = PT$, T represents :
 - a) Transaction motive.
 - b) Techniques of production.
 - c) Type of money.
 - d) Trade volume.
4. In the classical theory of employment what ensures perfect clearing of the market :
 - a) Flexibility of interest rate.
 - b) Flexibility of wage rate.
 - c) Flexibility of prices of the commodity.
 - d) Classical assumption of perfect competition in the product market.
5. Macroeconomics is otherwise called :
 - a) Consumption theory.
 - b) Price theory.
 - c) Income theory.
 - d) Value theory.

Turn over

6. Liquidity of a monetary asset means :
- a) Ready acceptability and convertibility of a monetary asset.
 - b) Velocity of circulation of money.
 - c) Easy availability.
 - d) Monetary value of the asset is always an increasing one.
7. If the money supply is 5000 and nominal income is 40,000, the velocity of money is :
- a) 80.
 - b) 8.
 - c) 1/8.
 - d) Undefined.
8. According to the quantity theory of money demand :
- a) Interest rates have no effect on the demand for money.
 - b) An increase in interest rates will cause the demand for money to fall.
 - c) A decrease in interest rates will cause the demand for money to increase.
 - d) Both (b) and (c) are correct.
9. Phillips curve shows that unemployment will return to the natural rate when :
- a) Nominal wages are equal to expected wage.
 - b) Nominal wage growing faster than inflation.
 - c) Real wages are back at long run equilibrium level.
 - d) Inflation greater than nominal the growth of nominal wage.
10. To Okun's law, a 1 % increase in unemployment results in a loss of GDP of :
- a) 1%.
 - b) 2%.
 - c) 3%.
 - d) 5%.
11. After a contractionary or expansionary fiscal policy :
- a) The LM curve shifts and we move along the IS curve.
 - b) The IS curve shifts and we move along the LM curve.
 - c) Both the IS and LM curves shift.
 - d) Neither the IS nor the LM curve shifts.
12. In India, which of the following is called reserve money or base money :
- a) M1.
 - b) M2.
 - c) M3.
 - d) M0.

(12 × ½ = 6 marks)

Section B (Very Short Answers)

Answer any ten questions.

Each question carries 2 marks.

13. What is money Illusion ?
14. Explain the relationship between interest rate and bond price.
15. Distinguish between fiscal policy and monetary policy.
16. Define GNP deflator.
17. Explain the Keynesian precautionary motive.
18. What is meant by money multiplier ?
19. What is 'H' theory of money supply ?
20. What is meant by monetarism ?
21. Explain the meaning of neutrality of money.
22. Distinguish between cost pull and demand pull inflation.
23. What is meant by classical range in LM curve ?
24. What is meant by Keynesian liquidity trap ?

(10 × 2 = 20 marks)

Section C (Short Essays)

Answer any six questions.

Each question carries 5 marks.

25. What are the important functions of money ?
26. What are the important instruments of monetary policy ?
27. Critically examine the classical theory of Interest.
28. What are the important policy measures to control inflation ?
29. Briefly explain the short run and long run Phillips curves.
30. What are the different types of unemployment ?
31. Briefly explain the Hayek's theory of business cycle.
32. Analyze the effects of inflation on different sections of a society.

(6 × 5 = 30 marks)

Turn over

Section D (Essays)

Answer any two questions.

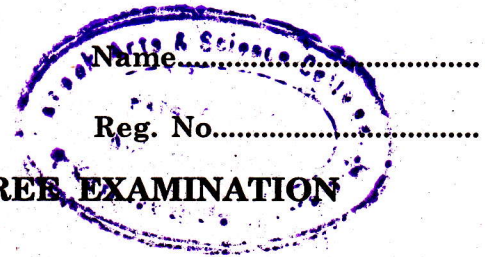
Each question carries 12 marks.

33. Discuss the Quantity theory of money and its restatement by Milton Friedman.
34. Critically examine the liquidity preference theory of interest.
35. Explain the goods market and money market equilibrium using the IS-LM model.
36. Critically examine the Hawtrey's pure monetary theory of business cycle.

(2 × 12 = 24 marks)

C 1380

(Pages : 4)



**SIXTH SEMESTER (CUCBCSS—UG) DEGREE EXAMINATION
MARCH 2021**

Economics

ECO 6B 11—MACROECONOMICS—II

Time : Three Hours

Maximum : 80 Marks

Section A (Objective Type Questions)

Answer all questions.

Each question carries 1 mark.

1. The classical economists believed that if the quantity of money is doubled :
 - (a) Output would double.
 - (b) Prices would fall.
 - (c) Prices would double.
 - (d) Prices would be halved.

2. In Friedman's modern quantity theory of money, velocity depends upon :
 - (a) Interest rates.
 - (b) The ratio of actual to permanent income.
 - (c) The ratio of interest rates to actual income.
 - (d) The ratio of prices to interest rates.

3. Demand pull inflation is due to :
 - (a) An increase in cost.
 - (b) An outward shift in aggregate supply.
 - (c) A reduction in interest rate.
 - (d) A reduction in government spending.

4. Phillips curve shows :
 - (a) Trade off between inflation and unemployment.
 - (b) Inverse relationship between inflation and unemployment.
 - (c) Positive relationship between inflation and unemployment.
 - (d) Both (a) and (b) are correct.

Turn over

5. The natural rate of unemployment is the rate of unemployment :
- (a) Consistent with both the wage-setting and price-setting equations.
 - (b) Where the markup of prices over costs is zero.
 - (c) Where the markup of prices over costs is equal to its historical value.
 - (d) That occurs when the money market is in equilibrium.
6. In the IS-LM model, a decrease in output would be the result of a (an) :
- (a) Increase in money demand.
 - (b) Decrease in taxes.
 - (c) Increase in the money supply.
 - (d) Increase in government purchases.
7. In India, which of the following is the correct formula for calculating the Broad money M3 ?
- (a) Currency with the public+ demand deposit with the bank+ other deposit with RBI.
 - (b) M3 + All deposits with post office savings bank.
 - (c) M1 + time deposit with the banking system.
 - (d) M1 + saving deposit of post office savings bank.
8. The situation of liquidity trap refers to :
- (a) A floor level of price when people buy goods.
 - (b) people want to hold cash because there is too much liquidity.
 - (c) There is an excess foreign exchange reserve in the economy.
 - (d) The rate of interest is so low that no one wants to hold interest bearing asset and people wants to hold cash.
9. Classical view on full employment is best explained as :
- (a) Economy will always have a great deal of unemployment.
 - (b) Economy will usually have a great deal of unemployment.
 - (c) Economy will occasionally have some unemployment, but move automatically toward full employment.
 - (d) Economy will never have full employment.

10. At the natural rate of unemployment, long run Phillips curve is :
- (a) L shaped. (b) Vertical.
(c) Rectangular hyperbola. (d) Convex to the origin.
11. The article "Mr. Keynes and classicals" was written by :
- (a) J. R. Hicks. (b) Milton Friedman.
(c) V. Hayek. (d) A. C. Pigou.
12. IS schedule shows :
- (a) Relation between money market and interest rate.
(b) Interest rate and national income.
(c) Interest rate and bond market.
(d) None of these.

(12 × 1 = 12 marks)

Section B (Very Short Answers)

*Answer at least six questions.
Each question carries 3 marks.
All questions can be attended.
Overall Ceiling 18.*

13. What is natural rate of unemployment ?
14. Define sacrifice ratio.
15. What is money multiplier ?
16. Distinguish between structural inflation and cost push inflation.
17. Briefly explain the Okun's law.
18. What are the important reasons for stagflation ?
19. Distinguish between voluntary unemployment and involuntary unemployment.
20. Distinguish between inside money and outside money.
21. What are the important measures of money supply in India ?
22. What is meant by inflationary gap ?
23. What are the different phases of business cycle ?
24. What are the important determinants of demand for money ?

(6 × 3 = 18 marks)

Turn over

Section C (Short Essays)

Answer at least four questions.

Each question carries 6 marks.

All questions can be attended.

Overall Ceiling 24.

25. Explain the classical theory of demand for money.
26. Discuss the Keynesian motive for money holding.
27. Discuss the short run and long run Phillips curve.
28. Briefly discuss the Hawtreys's theory of trade cycle.
29. What is BP curve ? Analyze the shift in BP curve ?
30. Critically examine the restatement of Quantity theory of money.
31. Distinguish between money and near money. What are the important functions of money ?
32. Discuss the Keynesian liquidity preference theory of interest.

(4 × 6 = 24 marks)

Section D (Essays)

Answer any two questions.

Each question carries 13 marks.

33. Critically examine the modern theories of inflation.
34. What is meant by trade cycle ? Discuss the Hayek's theory of trade cycle.
35. Analyze the equilibrium of a two sector economy using the IS-LM model.
36. What are the important fiscal, monetary and other policy instruments to counter inflation ?

(2 × 13 = 26 marks)