



M 27183

Reg. No.:

Name:

Second Semester M.A./M.Sc./M.Com. Degree (Reg./Sup./Imp.)
Examination, March 2015
ECONOMICS/APPLIED ECONOMICS/DEVELOPMENT ECONOMICS
(2014 Admn. Onwards)
ECO 2C06 : Macro Economic Theory – II

Time : 3 Hours

Max. Marks : 60

PART – A

Answer **all** questions. **Each** carries $\frac{1}{2}$ marks.

($8 \times \frac{1}{2} = 4$)

1. The net of injection and withdrawals is measured IS-LM model as
 - a) $X - M$
 - b) $X + M$
 - c) $X > M$
 - d) $X = M$
2. Ragner Nurkse's equilibrium of exchange rate as
 - a) the demand and supply of dollar with the price of dollar in pounds
 - b) the demand and supply of dollar with the price of US dollar in pounds
 - c) both
 - d) none of the above
3. "Inflation exists when money income is expanding more than in proportion to increase in earning activity" this is the view of
 - a) Coulbourn
 - b) A.C. Pigou
 - c) Kemmers
 - d) Crowther
4. The Phillips curve is a
 - a) short-run phenomenon
 - b) long-run phenomenon
 - c) both short run and long run phenomenon
 - d) none of the above

P.T.O.



5. Supply-side economist advocates
 - a) high rate of income tax
 - b) low rate of income tax
 - c) reduction in high rate of income tax
 - d) none of the above
6. Basic propositions of supply side economics are
 - a) taxation and labour supply
 - b) incentives to save and invest
 - c) cost push effect of the tax wedge
 - d) all the above
7. The trade-off (conflicts) between the macro economic policies are
 - a) full employment and economic growth
 - b) economic growth and price stability
 - c) full employment and balance of payments
 - d) all the above
8. Okun's law explains
 - a) the relationship between unemployment and output
 - b) the relationship between price and output
 - c) the relationship between employment and output
 - d) none of the above

PART – B

Answer **any eight** questions. **Each** carries **two** marks. **(8×2=16)**

9. Which are the two approaches to determine the goods market equilibrium ?
10. Define Foreign exchange market.
11. What is the Phillips curve ? What does it show ?
12. What is modern Phillip's curve ?
13. What is meant by adaptive expectations ?
14. What is latter curve ?



15. Write short note on advent of macro economic policy.
16. Define discretionary Fiscal policy.
17. What is Repo rate ?
18. What is deficit financing ?
19. What is the aim of expansionary monetary policy ?

PART – C

Answer **any four** questions. **Each** carries **five** marks.

(4×5=20)

20. Derive an IS-LM curve with its properties.
21. Differentiate between the CPI and WPI.
22. What are the determinants of Walrasian general equilibrium ?
23. How does the mechanism of crowding out of private investment work ? Does it always occur ?
24. Write a note on :
 - a) Okun's law
 - b) Waire unemployment
25. Explain internal and external balance in terms of IS-LM-BOP technique.

PART – D

Answer **any two** questions. **Each** carries **ten** marks.

(2×10=20)

26. Compare and contrast the Keynesian and Monetarist approaches to inflation.
27. Discuss the rational expectations model of the new classical economist proves the ineffectiveness of the economic policy to ensure economic stability.
28. Critically discuss the Mundell-Flemming model for achieving internal and external balance in an economy.
29. Discuss the pros and cons of monetary approach to BOP.