



Reg. No.: .....

Name: .....



**Second Semester M.A. Degree (Regular/Supplementary/Improvement)**  
**Examination, March 2018**  
**ECONOMICS/APPLIED ECONOMICS/DEVELOPMENT ECONOMICS**  
**(2014 Admn. Onwards)**  
**ECO 2C 06 – Macro Economic Theory – II**

Time : 3 Hours

Max. Marks : 60

## PART – A

Answer **all** questions (objective type).

- The magnitude of the crowding out effect depends on
  - The interest sensitivity of private sector spending
  - The increase in the interest rate due to the increase in government spending
  - Both (a) and (b)
  - None of the above
- Who authored the book, *The Foundations of Supply-Side Economics* ?
  - Victor Canto
  - Arthur Laffer
  - Jude Wanniski
  - Bruce Bartlett
- Identify the value of investment multiplier when MPS is 0.2
 

a) 2	b) 5	c) 1	d) 4
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- Laffer curve is a central component of
 

a) Classical economics	b) Keynesian economics
c) Neo classical economics	d) Supply side economics
- The school which argues that market does not clear always in spite of individuals working for their own interest is known as
 

a) Monetarist	b) Keynesian
c) Neo classical	d) New Keynesian





6. In the long run, a rightward shift of the FE line will result in
- The IS curve shifting up and to the left
  - An increase in the real interest rate
  - The LM curve shifting down and to the right
  - An increase in the price level
7. The term *natural rate of unemployment* was introduced by
- A. W. Phillips
  - A. C. Pigou
  - Milton Friedman
  - Knut Wicksell
8. Wedge model is a part of
- Classical economics
  - Keynesian economics
  - New Keynesian economics
  - Supply side economics **(8×½=4)**

## PART – B

Answer **any eight** questions.

- Why does the LM curve slope upward to the right?
- What is meant by Okun's Law?
- What are the different types of exchange rates?
- What do you mean by sacrifice ratio?
- What is J Curve Effect?
- Prepare a short note on seigniorage.
- What is meant by menu cost?
- Write a note on budget deficit.
- Explain inflation targeting.
- What do you mean by new classical macroeconomics?
- What is underemployment equilibrium? **(8×2=16)**



## PART – C

Answer **any four** questions.

- Explain natural rate of unemployment.
- Is balance of payments always in equilibrium? Explain.
- Differentiate between depreciation and appreciation of currencies. Give examples.
- Examine the subject matter of structural theory of inflation.
- Explain Keynesian approach to inflation
- Examine the instruments of Monetary Policy. **(4×5=20)**

## PART – D

Answer **any two** questions.

- Explain Mundell-Fleming model with the help of IS-IM curves.
- Discuss the meaning and determination of exchange rates.
- Compare and contrast Neoclassical and Keynesian labor market equilibrium.
- Explain short run and long run Phillips curves with the help of diagrams. **(2×10=20)**