

(7 Pages)

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M.A. (CBCS) DEGREE EXAMINATION, APRIL 2021.

Second Semester

Economics

MACRO ECONOMIC THEORY AND ANALYSIS — II

(For those who joined in July 2016 and afterwards)

Time : Three hours

Maximum : 75 marks

PART A — ($10 \times 1 = 10$ marks)

Answer ALL questions.

Choose the correct answer :

1. According to Keynes, the supply curve money is
 - (a) Perfectly inelastic
 - (b) Perfectly elastic
 - (c) Unitary elastic
 - (d) Relative elastic

2. According to Keynes, the 'Liquidity Trap' arise due to
- (a) High interest rate
 - (b) High level supply of money
 - (c) Low interest rate
 - (d) Low level of demand for money
3. In Fisher's equation 'MV' is known as
- (a) Demand for money
 - (b) Supply of money
 - (c) Legal tender money
 - (d) Credit money
4. In Keynesian approach, the 45° angle represents
- (a) Aggregate demand
 - (b) Aggregate supply
 - (c) Aggregate savings
 - (d) Effective demand

5. The Rational Expectation Hypothesis is associated with
- (a) John F. Muth (b) Robert Lucas
 - (c) T. Sergeant (d) All the above
6. Which of the policy/policies belonging to supply side economics?
- (a) Laffer curve
 - (b) Reducing trade union power
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)
7. In Say's law of market, the role of money is
- (a) Non neutral (b) Flexible
 - (c) Neutral (d) None of the above
8. The higher point of effective demand leads to
- (a) Full employment equilibrium
 - (b) Under-employment equilibrium
 - (c) Investment equilibrium
 - (d) None of the above

9. The phases of a business cycle are
- (a) Depression, Recovery, Prosperity and Recession
 - (b) Recession, Depression, Recovery and Prosperity
 - (c) Recovery, Prosperity, Recession and Depression
 - (d) Recovery, Prosperity, Depression and Recession
10. In IS-LM model, LM represent
- (a) Fiscal policy (b) Incomes policy
 - (c) Monetary policy (d) All the above

PART B — ($5 \times 5 = 25$ marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Explain the Neo-Classical theory of interest.
- Or
- (b) Discuss the Keynesian theory of interest.

12. (a) Briefly Fisher's quantity theory of money.

Or

(b) 'Saving and investment are equal in equilibrium'. Comment this statement.

13. (a) State the basic propositions of the rational expectation hypothesis.

Or

(b) Bring out main features of supply side economics.

14. (a) 'General over production and general unemployment are impossible' — Explain this statement.

Or

(b) Point out the limitations of Say's law of market.

15. (a) Elucidate the aims of macro economic policy.

Or

(b) Bring out the objectives of fiscal policy.

PART C — ($5 \times 8 = 40$ marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Use the IS-LM frame work to explain the joint determination of the rate of interest and the level of income.

Or

- (b) Examine why AD curve slopes downward in IS-LM curve model.

17. (a) Explain the major propositions of income theory and its limitations.

Or

- (b) Discuss the contribution of Milton Friedman to the quantity theory of money.

18. (a) Critically evaluate the Laffer curve.

Or

- (b) 'Unemployment resulted from disequilibrium' — Argue.

19. (a) How is equilibrium level of income determined under the Keynesian system?

Or

- (b) Test the validity of Keynesian tools to under developed countries.

20. (a) Analyse the effectiveness of monetary and fiscal policies in terms of the IS and LM functions.

Or

- (b) What is Business Cycle? Indicate its phases with suitable examples.
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