

## 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)