

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. Long 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)