C 20326 (Pages : 4) Name...

Reg. No.....................................

SIXTH SEMESTER (CUCBCSS—UG) DEGREE EXAMINATION, MARCH 2022

Economics

ECO 6B 11—MACRO ECONOMICS—II

(2014—2018 Admissions)

Time : Three Hours Maximum : 80 Marks

Answers may be written **either** *in English* **or** *in Malayalam.*

Part A

Answer **all** *questions.*
Each question carries ½ mark.

1. 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.

2. The demand for money for active cash balance is :

    (a) Positively related to income level.

    (b) Negatively related to interest rate.

    (c) Positively related to income level and interest rate.

    (d) Negatively related to income level and interest rate.

3. IS Curve shift forward when :

    (a) Investment function shift forward and saving function shift forward.

    (b) Investment function shift forward and saving function shift backward.

    (c) Investment function shift backward and saving function shift backward.

    (d) Investment function shift backward and saving function shift forward.

4. According to Baumol's theory of demand for money :

    (a) Transaction demand for money is interest inelastic.

    (b) Speculative demand for money is interest inelastic.

    (c) Transaction demand for money is interest elastic.

    (d) Speculative demand for money depends on level of income.

Turn over

5. A rapid and decisive reduction in growth rate of money supply aimed at reducing the rate of inflation :

    (a) Disinflation.   (b) Cold turkey.

    (c) Built-in-stabilizers.   (d) Taylor rule.

6. The concept of inflationary gap was first developed by :

    (a) J. M. Keynes.   (b) David Riccardo.

    (c) Milton Friedman.   (d) H. G. Johnson.

7. ——————————— is the aggregate stock of money during a period of time.

    (a) Narrow Money.   (b) Outside Money.

    (c) High Powered Money.   (d) None of the above.

8. The concept of inflationary gap was given by ———————————.

    (a) Wicksell.   (b) Keynes.

    (c) Milton Friedman.   (d) A. W. Phillips.

9. Which of the following is not an essential characteristic of business cycle ?

    (a) Recurrent nature.   (b) Cumulative in effect.

    (c) Regular.   (d) All pervading in their impact.

10. The amount by which the real Gross domestic product, or real GDP, exceeds potential GDP, is referred to as

    (a) Inflationary gap.   (b) Deflationary gap.

    (c) Recessionary gap.   (d) None of these.

11. Bottle-neck inflation is a situation that sets in ———————————.

    (a) After the point of full employment.

    (b) Before the point of full employment.

    (c) After imposing price controls.

    (d) During war period.

12. If the government's anti inflationary policy is not viewed as credible, it results in :

    (a) Self-fulfilling inflation.   (b) Deflation.

    (c) Disinflation.   (d) Stable prices.

$(12 \times \frac{1}{2} = 6 \text{ marks})$

Part B (Very Short Answer Questions)

Answer any **ten** *questions.*
Each question carries 2 *marks.*

13. What are the properties of IS Curve ?

14. Describe the phases of business cycle.

15. What is meant by fiscal stabilization policy ?

16. Monetary base.

17. Money multiplier.

18. Velocity of circulation.

19. IS-LM Curve.

20. Disguised unemployment.

21. Sacrifice ratio.

22. Devaluation of currency.

23. Okun's law.

24. Philips curve.

$(10 \times 2 = 20$ marks$)$

Part C (Short Essay Questions)

Answer any **six** *questions.*
Each question carries 5 *marks.*

25. What is the purpose of computing GNP deflator ?

26. Explain Friedman's re-statement of quantity theory of money ?

27. What is meant by 'Inflationary Gap' ?

28. What is the superiority of cash balance approach over transaction approach to demand for money ?

29. Distinguish between demand pull inflation and cost push inflation.

30. Explain Fisher's quantity theory of money.

31. Examine unemployment inflation trade-off.

32. Describe the monetary theory of business cycle.

$(6 \times 5 = 30$ marks$)$

Turn over

Part D (Essay Questions)

Answer any **two** *questions.*
Each question carries 12 *marks.*

33. Illustrate General Equilibrium using IS-LM curves.

34. What are the differences between Fisherian and Cambridge versions of quantity theory of money ?

35. Describe the measures to control inflation and deflation in an economy.

36. Illustrate the trade-off between inflation and unemployment. Bring out its policy implications.

$(2 \times 12 = 24 \text{ marks})$