

**MA ECONOMICS
FOURTH SEMESTER
MACRO-ECONOMIC ANALYSIS-II
MEC-401**

(Use separate answer scripts for Objective & Descriptive)

Duration : 3 hrs.

Full Marks : 70

(PART-A : Objective)

Time : 20 min.

Marks : 20

Choose the correct answer from the following:

1x20=20

1. What is *not* a component of the GDP?
 - a. Consumption goods.
 - b. Investment spending by firms on capital goods.
 - c. Public sectors own demand for goods.
 - d. Employment rate.
2. The Phillips curve:
 - a. is a relationship between unemployment rate and output growth rate.
 - b. is a relationship between inflation rate and unemployment rate.
 - c. is a relationship between employment rate and inflation rate.
 - d. none of the above.
3. We can expect the IS-curve to get flatter as:
 - a. money demand becomes less sensitive to changes in the interest rate.
 - b. the marginal propensity to save decreases.
 - c. the expenditure multiplier decreases.
 - d. the income tax rate increases.
4. Any position that is to the right of (and above) the IS-curve indicates that there is:
 - a. excess demand for goods and services
 - b. excess supply of goods and services
 - c. excess demand for money
 - d. excess supply of money
5. If the marginal propensity to consume increases, we should expect that:
 - a. the expenditure multiplier will become larger
 - b. the IS-curve will become flatter.
 - c. the LM-curve will remain unaffected.
 - d. all of the above.
6. Structural inflation happens:
 - a. due to technological change.
 - b. due to excess supply of money.
 - c. due to movement of employment from one sector to another sector.
 - d. due to deficit financing.
7. The shape of long run Phillips curve is:
 - a. downward sloping from left to right
 - b. upward sloping to right
 - c. downward sloping to left
 - d. vertical
8. A recession implies:
 - a. a period of very rapidly decline in price
 - b. a period of declining unemployment
 - c. a period of declining prices
 - d. a period during which decline output

9. In India monetary policy is implemented by:
- commercial banks
 - finance ministry
 - Reserve bank of India
 - NITI Ayoug
10. Money appears to have a major influence on:
- inflation
 - business cycle
 - interest rate
 - each of the above
11. Which is correct in respect of the inflation?
- Rise in budget deficit
 - Rise in money supply
 - Rise in general price level
 - Fall in employment
12. When inflation is in the double or triple digits, we call that:
- galloping inflation
 - low inflation
 - hyperinflation
 - deflation
13. Low inflation is characterized by which of the following?
- people trust money.
 - prices rising slowly and predictably.
 - people are willing to write long-term contracts in money terms.
 - all of the above.
14. The concept of natural rate of inflation was introduced by:
- James Tobin
 - Don Patinkin
 - Milton Friedman
 - Adam smith
15. Inflationary gap is difference between:
- full employment level of output and actual level of output.
 - equilibrium level of output and full employment level of output.
 - both (a) and (b).
 - none of the above.
16. The proportion of income households spend on consumption is known as the:
- marginal propensity to consume
 - household spending multiplier
 - average propensity to consume
 - average standard of living
17. The economist who proposed that, "Inflation is always and everywhere a monetary phenomenon" was:
- John Maynard Keynes
 - John R. Hicks
 - Milton Friedman
 - Franco Modigliani
18. The business cycle describes fluctuations in output around the_____.
- trend path of output
 - boom
 - recession
 - short-run fluctuations in output
19. The business cycle is not transmitted from one country to another through_____.
- private sector imports and exports
 - economic policy
 - the duration of compulsory education
 - labour supply changes
20. The trough of a business cycle occurs when_____ hits its lowest point.
- inflation
 - the money supply
 - aggregate economic activity
 - the unemployment rate

(PART-B : Descriptive)

Time : 2 hrs. 40 min.

Marks : 50

[Answer question no.1 & any four (4) from the rest]

- Elaborate Don Patinkin's "The real balance effect". 10
- How to draw IS curve? 5+5=10
 - Explain rightward shift of IS curve.
- What is general equilibrium? 4+6=10
 - Explain general equilibrium with diagram.
- Explain James Tobin's "Portfolio Selection Model". 6+4=10
 - What is Liquidity Trap?
- Explain Phillips curve. 5+5=10
 - What is long run Phillips curve?
- Explain Schumpeter's model of Trade Cycle. 6+4=10
 - Elaborate Paul Samuelson's model of Trade Cycle.
- What is cost-push and demand-pull inflation? 5+5=10
 - Explain how to measure inflation in the Economy.
- Explain Solo-Swan model of economic growth. What are its criticisms? 3+3+4=10
 - Elaborate the implication of the Solo-Swan model.

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