



**MAR IVANIOS COLLEGE (AUTONOMOUS)**  
**THIRUVANANTHAPURAM**

Reg. No. :.....

Name :.....

**Fifth Semester B.A. Degree Examination, November 2016**

**First Degree Programme under CBCSS**

**Core Course: Economics – VII**

**AUEC542: Macro Economics II**

Time: 3 Hours

Max. Marks: 80

**SECTION – A**

*Answer ALL questions in one or two sentences.*

1. Ratchet effect.
2. Wage rigidity.
3. Monetarism
4. Open market operations.
5. Employment Multiplier.
6. Define Deflation.
7. Monetary Policy.
8. Define NAIRU.
9. Marginal Efficiency of Capital.
10. Marginal Propensity to consume.

**(10 × 1 = 10 Marks)**

**SECTION – B**

*Answer any EIGHT questions, each in a short paragraph not exceeding 50 words.*

11. What is investment and discuss the factors that stimulate investment ?
12. Distinguish Aggregate demand curve and Aggregate supply curve.
13. What is a business cycle ? Identify its different types.
14. What is Adaptive Expectations Hypothesis ?
15. Cost Push inflation.
16. What is money ? Discuss its features.

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17. Absolute Income hypothesis.
18. Principle of Acceleration.
19. Explain the Psychological Law of Consumption.
20. Liquidity Trap.
21. Pigou effect.
22. Fisher's Quantity Theory of Money.

**(8 × 2 = 16 Marks)**

**SECTION – C**

*Answer any SIX questions, each in a paragraph not exceeding 120 words.*

23. Explain how does Samuelson's Acceleration and Multiplier interaction generates trade cycle ?
24. Define inflation and list out the costs of Inflation.
25. What is money supply ? What are its components ?
26. Explain Crowding out effect. What determines the magnitude of the crowding out effect ?
27. Define Stagflation and its relevance in Macroeconomic analysis.
28. Define natural rate of unemployment. Why the natural rate of unemployment differ across countries ?
29. What is fiscal policy and what are the main instruments of fiscal policy ?
30. Discuss the short run Phillips curve and identify its main implications.
31. Discuss the various factors influencing Consumption other than Income.

**(6 × 4 = 24 Marks)**

**SECTION – D**

*Answer any TWO questions, not exceeding four pages.*

32. Introducing the expected rate of inflation as an additional variable, the excess demand which determines the rate of change of money wages, implies that instead of one unique Phillips curve, there will be a family of Phillips curve. State your opinion.
33. Explain Hicks's model of trade cycle.
34. Explain Life cycle Hypothesis. On what grounds is Life cycle theory Criticized ?
35. What is Investment multiplier and discuss its importance ? List out the leakages and point out the limitations.

**(2 × 15 = 30 Marks)**

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