

Roll No: -----



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End-Term Examination, May 2019

Program/course: MA in Energy Economics

Semester : II

Subject: Macroeconomics

Max. Marks : 100

Code : ECON7004

Duration : 3 Hrs

No. of page/s: 4

Section-A

All the questions are compulsory in this section.

[10*2=20]

Q.No.	Questions	CO
1.	An expansionary monetary and fiscal policy shifts- (a) Aggregate demand to the right. (b) Aggregate demand to the left. (c) Aggregate supply to the right. (d) Aggregate supply to the left.	CO1
2.	In a private (two) sector model- (a) Household saving is a leakage from the circular flow. (b) Investment is a spending injection. (c) Saving leakage equal investment injections. (d) All of the above.	CO1
3.	When planned saving is greater than planned investment- (a) Output should increase. (b) Output should decrease. (c) Output should not change. (d) None of the above.	CO1
4.	Suppose the net export function is $NX = a - xY$ and the net export balance is zero. An increase in autonomous investment spending will- (a) Increase the net export balance and the income level. (b) Increase the income level but make the net export balance negative. (c) Increase the income level and have no effect upon the net export balance. (d) Have no effect upon the income level but cause the net export balance to become negative.	CO1
5.	A change in money supply has a greater effect upon equilibrium income- (a) The private sector spending is more interest-sensitive. (b) The private sector spending is less interest-sensitive. (c) The expenditure multiplier is smaller. (d) None of the above.	CO1

6.	When equilibrium in the money and goods market occurs at a rate of interest below the BP schedule, internal and external equilibrium for the economy can be achieved by- (a) Expanding the money supply. (b) Increasing the government spending. (c) Increasing taxes. (d) Lowering interest rates in the economy.	CO1
7.	The BP schedule- (a) Is horizontal under perfect capital mobility. (b) Is horizontal under imperfect capital mobility. (c) Is a schedule where domestic economy's trade account balance is zero. (d) Is a schedule where domestic economy's capital account balance is zero.	CO1
8.	The natural rate hypothesis states that the- (a) Unemployment returns to its normal rate in the long run, irrespective of the rate of inflation. (b) Output equals its natural level in the long run irrespective to the rate of inflation. (c) Natural rate of unemployment equals deviations of the rate of unemployment from its cyclical unemployment. (d) Both (a) and (b) above.	CO1
9.	The rational expectations hypothesis states that while forecasting the future, people- (a) Use optimally all the information they have, including those about the government policies. (b) Use optimally a fairly long time series data on all the relevant variables. (c) Apply the exponential smoothing method to the historical time series of the variable under forecasting. (d) None of the above.	CO1
10.	Frictional unemployment exists- (a) When there is a decrease in real GDP. (b) Because it takes time to find a job when one is first entering the labour force. (c) As a result of technological change. (d) When an individual retires.	CO1

Section-B
Attempt the given questions.

[8*5=40]

Q.No.	Questions	CO
11.	Define LM curve. What are the factors that determine the slope of LM curve?	CO1,CO2

12.	What is meant by trade-off between the rate of inflation and unemployment? Explain the Keynesian explanation of this trade-off.	CO1,CO2
13.	“Inflation may originate because of cost-push but it cannot be sustained for long unless it is supported by demand-pull inflation”. Describe.	CO1,CO2, CO3
14.	How does permanent income hypothesis explain that the short-run marginal propensity to consume is lower than the long-run marginal propensity to consume?	CO1,CO2
15.	If the labour ministry decides to rise the age of retirement by a few years because of an increase in longevity, what would be the impact on the current savings in the economy.	CO1,CO2, CO3,CO4
16.	Suppose the AS curve of the economy is Keynesian. How does monetary and fiscal policy affect the level of investment in the economy?	CO1,CO2, CO3, CO4
17.	Business cycles occur and recur but have no fixed periodicity. Give your comment.	CO1,CO2
18.	The IS curve is flatter in an open economy than in closed economy. Explain.	CO1,CO2

Section-C
Attempt the given question.

[2*20=40]

Q.No.	Questions	CO
19.	“An economy with a flexible exchange rate and imperfect capital mobility should have to prefer monetary policy over fiscal policy to achieve the higher growth rate”. Elucidate it.	CO1,CO2, CO3,CO4
20.	What is meant by adaptive expectations? Explain how with the help of adaptive expectation theory Friedman proves that Phillips curve is vertical in long-run.	CO1,CO2, CO3,CO4

Roll No: -----



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End-Term Examination, May 2019

Program/course: MA in Energy Economics

Semester : II

Subject: Macroeconomics

Max. Marks : 100

Code : ECON7004

Duration : 3 Hrs

No. of page/s: 4

Section-A

All the questions are compulsory in this section.

[10*2=20]

Q.No.	Questions	CO
1.	Which of the following will not result in an increase in output- (a) An increases in autonomous spending. (b) A decrease in autonomous taxes. (c) An increase in autonomus transfers. (d) An increase in lump-sum taxes.	CO1
2.	By definition, the marginal propensity to consume- (a) Equals $\Delta c/\Delta Y_d$. (b) Is the behavioural coefficient c in the equation $C = b + cY_d$. (c) Is the slope of the consumption function. (d) All of the above.	CO1
3.	When there is full employment and aggregate supply is vertical, a 10% increase in the nominal money supply- (a) Has no effect upon the price level. (b) Increases the rate of interest. (c) Increases the nominal wage 10%. (d) Increases the real money supply by 10%.	CO1
4.	Suppose the net export function is $NX = a - xY$ and the net export balance is zero. An increase in autonomous investment spending will- (a) Increase the net export balance and the income level. (b) Increase the income level but make the net export balance negative. (c) Increase the income level and have no effect upon the net export balance. (d) Have no effect upon the income level but cause the net export balance to become negative.	CO1
5.	A change in money supply has a greater effect upon equilibrium income- (e) The private sector spending is more interest-sensitive. (f) The private sector spending is lesss interest-sensitive. (g) The expenditure multiplier is smaller. (h) None of the above.	CO1
6.	When equilibrium in the money and goods market occurs at a rate of interest	CO1

	below the BP schedule, internal and external equilibrium for the economy can be achieved by- (a) Expanding the money supply. (b) Increasing the government spending. (c) Increasing taxes. (d) Lowering interest rates in the economy.	
7.	The BP schedule- (a) Is horizontal under perfect capital mobility. (b) Is horizontal under imperfect capital mobility. (c) Is a schedule where domestic economy's trade account balance is zero. (d) Is a schedule where domestic economy's capital account balance is zero.	CO1
8.	The natural rate hypothesis states that the- (a) Unemployment returns to its normal rate in the long run, irrespective of the rate of inflation. (b) Output equals its natural level in the long run irrespective to the rate of inflation. (c) Natural rate of unemployment equals deviations of the rate of unemployment from its cyclical unemployment. (d) Both (a) and (b) above.	CO1
9.	According to Keynes, there is a speculative demand for money because- (a) People like to speculate in the stock market. (b) There is considerable risk in holding M1 balances. (c) Money, at times, may be a better store of value than long-term bonds. (d) Money always provides a certain higher return than long-term bonds.	CO1
10.	Frictional unemployment exists- (a) When there is a decrease in real GDP. (b) Because it takes time to find a job when one is first entering the labour force. (c) As a result of technological change. (d) When an individual retires.	CO1

Section-B
Attempt the given questions.

[8*5=40]

Q.No.	Questions	CO
11.	Define IS curve. What are the factors that determine the slope of IS curve?	CO1,CO2
12.	What is meant by trade-off between the rate of inflation and unemployment? Explain the Keynesian explanation of this trade-off.	CO1,CO2
13.	“Consumption and investment are complementary during	CO1,CO2,

	deflation, but competitive at full employment.” Discuss.	CO3
14.	Suppose $C = 35 + 0.80Y_d$, $I = 70$, $G = 65$, $T_x = 0.10Y$. (a) Find equilibrium output. (b) What are taxes revenues at equilibrium output? Does the government have a balanced budget? (c) Find equilibrium output when investment increases from 70 to 90. (d) What has happened to the relationship of government spending and tax revenues? Why?	CO1,CO2
15.	If the labour ministry decides to rise the age of retirement by a few years because of an increase in longevity, what would be the impact on the current savings in the economy.	CO1,CO2, CO3,CO4
16.	Suppose the AS curve of the economy is Keynesian. How does monetary and fiscal policy affect the level of investment in the economy?	CO1,CO2, CO3, CO4
17.	Explain the Multiplier accelerator interaction model of business Cycle.	CO1,CO2
18.	What are macroeconomic paradoxes? Explain any two of them.	CO1,CO2

Section-C
Attempt the given question.

[2*20=40]

Q.No.	Questions	CO
19.	“An economy with a flexible exchange rate and imperfect capital mobility should have to prefer monetary policy over fiscal policy to achieve the higher growth rate”. Elucidate it.	CO1,CO2, CO3,CO4
20.	Explain Keynes’ income-expenditure approach to the determination of national income. Why can this equilibrium be reached below full-employment level of output?	CO1,CO2, CO3,CO4