

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 86**  
**(For candidates admitted from the academic year 2008 – 2009)**  
**SUBJECT CODE: EC/MC/MA64**

**B. A. DEGREE EXAMINATION, APRIL 2011**  
**BRANCH IV - ECONOMICS**  
**SIXTH SEMESTER**

**COURSE : MAJOR – CORE**  
**PAPER : MACRO ECONOMICS - II**  
**TIME : 3 HOURS. MAX. MARKS: 100**

**SECTION – A**

**ANSWER ALL QUESTIONS. EACH ANSWER NOT TO EXCEED 50 WORDS:**  
**(10 X 3 = 30)**

1. Explain the concept liquidity'.
2. What is meant by liquidity trap?
3. State four weaknesses of IS-LM model.
4. State the factors upon which elasticity of LM function depends.
5. Bring out the meaning of business cycle.
6. Differentiate between major and minor cycles.
7. Define inflation.
8. What is meant by structural inflation?
9. Explain the concept of exchange rate.
10. State the objectives of macroeconomic policy.

**SECTION – B**

**ANSWER ANY FIVE QUESTIONS. EACH ANSWER NOT TO EXCEED 300 WORDS:**  
**(5 X 6 = 30)**

11. Discuss the relationship between rate of interest and asset prices.
12. How do changes in money supply affect rate of interest?
13. Write a note on different phases of business cycle.
14. Bring out the characteristic of business cycle.
15. Explain Philips curve.
16. Distinguish between internal and external balance.
17. Bring out the conflict between the goals of price stability and economic growth.

**SECTION – C**

**ANSWER ANY TWO QUESTIONS. EACH ANSWER NOT TO EXCEED 1200 WORDS:**  
**(2 X 20 = 40)**

18. Explain clearly the Keynesian theory of demand for money.
19. How will you determine general equilibrium through IS-LM Function?
20. What is inflation gap? State the reasons for occurrence of inflation gap and explain how can it be eradicated?
21. Explain critically Hick's theory of trade cycle

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