

D 11336

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Name.....

Reg. No.....

FIFTH SEMESTER B.A. DEGREE EXAMINATION, NOVEMBER 2016

(CUCBCSS—UG)

Economics

ECO 5B 07—MACRO ECONOMICS-I

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. Macro Economics is concerned with :
 - (a) The real output of goods and services.
 - (b) The general level of prices.
 - (c) The growth of real output.
 - (d) All the above.
2. Which of the following is not an assumption for quantity theory of money ?
 - (a) The price level is not an assumption for Q.T.M.
 - (b) Volume of transaction does not remain constant.
 - (c) Constant ratio between legal tender money and credit money.
 - (d) Constant velocity of circulation.
3. Who first introduced the concept of Effective Demand ?
 - (a) J.M. Keynes.
 - (b) A. C. Pigou.
 - (c) Thomas Robert Malthus.
 - (d) Alfred Marshall.
4. Which of the following statement is correct ?
 - (a) A variable is endogenous when its value is determined by forces outside the model.
 - (b) A change in an exogenous variable is classified as an autonomous change.
 - (c) A variable is exogenous when its value is determined by forces within the model.
 - (d) A variable is autonomous when its value is determined by forces within the model.

Turn over

5. 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.
6. Keynes argued that economy will in equilibrium at :
- (a) Full employment (b) Under employment.
(c) Less than full employment. (d) Frictional unemployment.
7. Money has no real effect :
- (a) Neutrality of money. (b) Real effect.
(c) Consumption effect. (d) Income effect.
8. Milton Friedman proposed the :
- (a) Permanent Income Hypothesis. (b) Life Cycle Hypothesis.
(c) Absolute Income Hypothesis. (d) Relative Income Hypothesis.
9. In the consumption function, Keynes proposition holds that MPC :
- (a) 0. (b) 1.
(c) $0 < b < 1$. (d) $0 > b < 1$.
10. Keynes recommended _____ as a macro economic policy strongly.
- (a) Fiscal Policy.
(b) Monetary Policy.
(c) Both Fiscal and Monetary Policy.
(d) Neither Fiscal and Policy.
11. Micro Economics and Macro Economics are :
- (a) Mutually Exclusive. (b) Independent of each other.
(c) Interdependent. (d) Competitive to each other.
12. Keynesian Unemployment is :
- (a) Voluntary. (b) Cyclical.
(c) Structural. (d) Involuntary.

(12 × ½ = 6 marks)

Part B (Very Short Answer Questions)

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

13. Distinguish between Micro and Macro Economics.
14. What is meant by effective demand ?
15. Define MEC.
16. Cash Balance Approach.
17. Fiscal Policy.
18. Stock and Flow variable.
19. Says law of market.
20. Bring out the technical attributes of Keynesian consumption function.
21. Investment.
22. Define Voluntary unemployment.
23. Explain Pigou Effect.
24. Ratchet Effect.

(10 × 2 = 20 marks)

Part C (Short Essay Questions)

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

25. Explain Keynesian theory of income determination in the three sector economy.
26. Explain Relative Income Hypothesis.
27. Show that the balanced budget multiplier is equal to 1.
28. Friedman's restatement of quantity theory of money.
29. Describe the Keynesian model of income determination in a two sector economy.
30. Explain the objectives of fiscal policy.
31. Discuss the view that 'saving is a leakage' in the Keynesian theory.
32. Explain the theory of comparative static equilibrium.

(6 × 5 = 30 marks)

Turn over

Part D (Essay Questions)

Answer any **two** questions.

Each question carries 12 marks.

33. Explain the relationship between national income and national welfare and state initiative of national income as a measure of national income.
34. Critically analyse the classical model of output and employment determination.
35. What is multiplier? Explain the fiscal multipliers.
36. Define Fiscal Policy. Explain the objectives and instruments of fiscal policy.

(2 × 12 = 24 marks)