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Name: ……………………..

Reg. No…………………

FIRST SEMESTER M.A. DEGREE EXAMINATIONS, NOVEMBER 2019

(CBCSS PG)

CC19P ECO1 C02 - MACROECONOMICS: THEORIES AND POLICIES I

(Economics)

(2019 Admission Regular)

Time: 3 Hours

Maximum: 30 Weightage

Part A (Multiple Choice Questions)

Answer *all* questions. Each question carries ⅕ weightage.

1. An economy exhibits classical dichotomy if money is ------------

   (a) Neutral   (b) Perfectly elastic   (c) Inelastic   (d) None

2. Classical quantity theory of money is establishing ------------ relation between quantity of money and prices.

   (a) Proportional   (b) Non-proportional   (c) Linear   (d) None

3. Inventory approach to demand for money is developed by

   (a) Walrus   (b) Arrow   (c) Baumol   (d) Tobin

4. Friedman theory based on ------------

   (a) Current level of income   (b) Long term expected income

   (c) Both a & b   (d) None of the above

5. Ratchet effect is related to ------------

   (a) Absolute   (b) Lifecycle

   (c) Relative hypothesis   (d) Permanent hypothesis

6. The variable which causes crowing out.

   (a) Income   (b) Investment   (c) Interest rate   (d) None

7. By life cycle hypothesis APC will be ------------ at lower levels of income.

   (a) Higher   (b) Lower   (c) Medium   (d) Constant

8. Increase in Govt purchases shift the IS curve

   (a) Upward   (b) Vertically   (c) Downward   (d) Horizontally

9. IS - LM was developed by

   (a) Keynes   (b) Hicks and Hanson   (c) Friedman   (d) None

10. The curve showing equilibrium in the money market

    (a) LM   (b) IS   (c) BP   (d) None

     Turn Over

11. Which one of the following is not included in inside lag?

    (a) Recognition lag (b) Decision lag (c) Action lag (d) Precision lag

12. An example of expansionary monetary policy ------------

    (a) Sell Govt. securities (b) Buy Govt. securities

    (c) Increase interest rate (d) Increase reserve ratio

13. The liquidity trap occurs when the demand for money

    (a) Is perfect interest elastic (b) Perfect interest inelastic

    (c) Becomes constant (d) None of the above

14. A fall in interest rates is likely to

    (a) Increase aggregate demand (b) Increase saving

    (c) Decrease exports (d) Decrease consumption

15. IS - LM is

    (a) One sector (b) Two sector (c) Three sector (c) None

(15 x ⅕ = 3 Weightage)

Part B (Very Short Answer Questions)
Answer any *five* questions. Each question carries 1 weightage.

16. Stabilisation policy.

17. Accelerator.

18. Neoclassical - keynesian synthesis.

19. Psychological law of consumption.

20. Target variable.

21. Crowding out effect.

22. NAIRU

23. Keynes one sector model.

(5 x 1 = 5 Weightage)

Part C (Short Answer Questions)
Answer any *seven* questions. Each question carries 2 weightage.

24. Explain accelerator theory of Investment.

25. Distinguish between shortrun and longrun Phillips curve.

26. Examine the issue of central bank autonomy.

27. Examine search theory.

28. Analyse endogenous money supply model.

29. Examine Shumpeter business cycle model.

30. Explain adaptive expectation hypothesis.

31. Differentiate between inside lag and outside lag.

32. Write on Keynesian version of ISLM.

33. Illustrate Taylor rule.

(7 x 2 = 14 Weightage)

Part D (Essay questions)
Answer any *two* questions. Each question carries 4 weightage.

34. Explain accelerator theory of Investment.

35. Explain three sector macro model with Keynesian and neoclassical version.

36. Briefly explain inventory approach to demand for money.

37. Evaluate permanent income hypothesis of consumption.

(2 x 4 = 8 Weightage)

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