FIRST SEMESTER M.A. DEGREE EXAMINATION, NOVEMBER 2023

(CBCSS - PG)

(Regular/Supplementary/Improvement)

CC19P ECO1 C02 – MACROECONOMICS: THEORIES AND POLICIES – I

(Economics)

(2019 Admission onwards)

Time: 3 Hours   Maximum: 30 Weightage

Part A

Answer *all* questions. Each question carries 1/5 weightage.

1. In equation C= a+by, a indicates.

   (a) APC   (b) Consumption at zero levels of income

   (c) MPC   (d) None of the above

2. Dussenberry explains consumption function on the basis of

   (a) Demonstration effect   (b) Ratchet effect

   (c) Veblen effect   (d) Both Demonstration and ratchet effect

3. According to the lifecycle hypothesis, consumption is a function of the following variables except.

   (a) Permanent income   (b) Labour income

   (c) Accumulated wealth   (d) Age

4. Which of the following would still be 'costs' of inflation even when inflation rates are perfectly anticipated by markets? i) Shoe leather costs ii) Losses to borrowers via higher rates of inflation iii) Menu cost iv) Lower levels of unemployment.

   (a) I, IV   (b) I, II   (c) I, III   (d) II, IV

5. The simple Phillips curve was attacked as suffering from:

   (a) Rational expectations   (b) Adaptive expectations

   (c) Lack of evidence   (d) Money illusion

6. In terms of monetary and fiscal policies which type of inflation is easiest to fight

   (a) Demand pull   (b) Cost push   (c) Both the above   (d) None of the above

7. The real business cycle theory is mostly connected to

   (a) Classical theory (b) Keynesian Theory (c) Monetarist   (d) None of the above

8. According to _____ trade cycles occur due to onset of innovations.

   (a) Keynes   (b) Schumpeter   (c) Hawtrey   (d) Hayek

23P126

9. Who among the following is of the view that fluctuations in economic activities are because of fluctuations in aggregate effective demand?

    (a) Keynes (b) Schumpeter (c) Hawtrey (d) Hayek

10. If LM curve is flatter, the monetary policy will be

    (a) Completely effective (b) Completely ineffective (c) More effective (d) Less effective

11. An increase in government spending will cause

    (a) IS curve shift up to the right (b) IS curve shift down to the left (c) LM curve shift up to the left (d) LM curve shift down to the right

12. Which of the following is/are correct in respect of IS schedule?

    (I) It shows the equilibrium in the money market.
    (II) It is the locus of various points at which saving equals investment.
    (III) It slopes downward to the right.
    (IV) It shows the equilibrium in the goods market.

    (a) Only I and II (b) Only I, II, III (c) Only II, III, IV (d) I, II, III and IV

13. If an increase in Income leads to a bigger increase in investment this is called the:

    (a) Accelerator (b) Multiplier (c) Aggregate demand (d) Aggregate supply

14. Which among the following economists are associated with the concept of accelerator?

    (a) JM Clark (b) Hicks (c) Samueson (d) None of the above

15. Which among the following marked the collapse of the Classical economics?

    (a) Supply side (b) The Great Depression (c) Philip's curve (d) Liquidity trap

(15 × 1/5 = 3 Weightage)

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

16. Explain the Kuznet's consumption puzzle.
17. Write a note on MEC.
18. Write a short note on inflationary gap.
19. Explain Keynes effect.
20. Which policy do you prefer- policy conducted by rules or by discretion? Justify.
21. Examine inside lags.
22. Explain the Ricardian Equivalance.
23. Examine the Taylor rule.

(5 × 1 = 5 Weightage)

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

24. Write a note on Relative income hypothesis
25. Explain Tobin's q-ratio.
26. Justify the Endogenous money supply models.
27. Explain the new microeconomics of the labour market and search theory.
28. Explain over investment theory of Hayek.
29. Examine Hicks theory of business cycle.
30. Examine the relative effectiveness of monetary and fiscal policies.
31. Write a note on Three sector ISLM model.
32. Justify Neoclassical versions of ISLM model.
33. Examine the macroeconomic policies and its objectives.

(7 × 2 = 14 Weightage)

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

34. Appraise Baumol's Inventory Theoretic Approach.
35. Write an essay on Modified Phillips curve.
36. Examine the transition from monetary to real theories of business cycle focusing on Real Business Cycle School.
37. Explain the Hicks-Hansen Analysis or the Simple ISLM model.

(2 × 4 = 8 Weightage)

****

(3)