FIRST SEMESTER M.A. DEGREE EXAMINATION, NOVEMBER 2024
(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. Match List I with List II and select the correct answer:

   List-I

   1. Life Cycle Hypothesis   2. Permanent Income Hypothesis

   3. Absolute Income Hypothesis   4. Relative Income Hypothesis

   List-II

   1. Keynes   2. Dussenberry

   3. Friedman   4. Ando-brumberg-Modigliani

   (a) 4312   (b) 4321   (c) 3214   (d) 3241

2. Which three of the following are characteristics of Modigliani's 'Life Cycle Hypothesis'?

   a) Consumption is seen as a constant proportion of long-run average (lifetime) income

   b) Consumers try to even out their consumption expenditures over a lifetime in which income fluctuates widely

   c) Consumers base their expenditure on the level of disposable income actually received at any point in their life cycle

   d) In youth and old age, when income is low, consumption is maintained by borrowing or by drawing on past savings respectively, so that consumption is a high proportion of income

   e) In middle life, when income is relatively low, a higher proportion is consumed, with savings being run down

   (a) a, c, e   (b) a, b, d   (c) b, d, e   (d) c, d, e

3. What will happen to the price of bonds when the interest rate falls?

   (a) Decrease   (b) Increase   (c) Remains same   (d) None of the above

4. Demand pull inflation may be caused by

   (a) A reduction in rate of interest   (b) A reduction in government spending

   (c) An increase in cost   (d) An outward shift in AS

5. Which of the following ways of forming expectations are forward looking?

   (a) Adaptive epectations   (b) Exogenous expectations

   (c) NAIRU   (d) Rational expectations

6. If there is cyclical unemployment in the economy the govt might

   (a) Reduce govt spending   (b) Cut income tax

   (c) Increase interest rate   (d) Encourage saving

7. In real business cycle models business cycles are caused by _____ Whereas in Keynesian theory business cycles are caused by _____

   (a) Aggregate demand, Aggregate suppy   (b) Aggregate supply, Aggregate demand

   (c) Aggregate demand, Aggregate supply   (d) Fiscal policy, Monetary policy

8. If any unemployment exists during expansion phase of business cycle, it is _____ un employment.

   (a) Voluntary amd frictional   (b) Technological and structural

   (c) Frictional and structural   (d) Structural and involuntary

9. Fall in the interest rates is a typical feature of

   (a) Recovery   (b) Boom   (c) Contraction   (d) Depression

10. Completely ineffective fiscal policy referes to

   (a) Horizontal IS curve   (b) Horizontal LM curve

   (c) Vertical IS curve   (d) Vertical LM curve

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. When tax increases disposable income will

   (a) Decrease   (b) Increase   (c) Remains same   (d) No effect

14. The total effect of initial investment on income is measured by.

   (a) Accelerator   (b) Multiplier   (c) Super multiplier   (d) None of the above

15. If marginal Propensity to save is 0.4 the value of multiplier is

   (a) 2.5   (b) 2   (c) 0   (d) 0.6

(15 × 1/5 = 3 Weightage)

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

16. Write a note on the subjective factors which influence the consumption function.

17. Write the components of M3.

18. Explain the concept NAIRU.

19. Explain the fiscal and monetary policies effectiveness in Classical range.

20. Write a note on instrument variable.

21. Examine the policy conducted by rule.

22. Explain outside lags.

23. Examine the Crowding out effect.

(5 × 1 = 5 Weightage)

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

24. Write a note on Neo-classical theory of investment.

25. Explain simple Accelerator theory of investment.

26. Summarize Keynesian approach to demand for money.

27. Examine Keynesian approach to inflation.

28. Examine Monetary theory of Hawtrey.

29. Examine Keynesian theory of business cycle.

30. Explain the Hicks-Hansen IS-LM Analysis.

31. Examine Neoclassical versions of ISLM analysis.

32. Examine the Extension of IS-LM models with labour market and flexible prices.

33. Explain the Taylor rule.

(7 × 2 = 14 Weightage)

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

34. Write a note on Life Cycle Hypothesis.

35. Examine the expectations augmented Phillips curve.

36. Explain the Real Business Cycle Theory.

37. Examine the Keynesian version of ISLM analysis.

(2 × 4 = 8 Weightage)

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