FIRST SEMESTER M.A. DEGREE EXAMINATION, NOVEMBER 2025

(CBCSS - PG)

(Regular/Supplementary/Improvement)

CC19PECO1C02 - 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. Which of the following is not true for kuznets paradox or consumption puzzle
    (a) APC falls as income rises
    (b) APC remains same and there is no autonomous consumption
    (c) C=bY
    (d) None of the above

2. Which three of the following are characteristic of Friedman's 'Permanent Income Hypothesis'?
    a) The main influence on long-run consumption is 'transitory income'
    b) The main influence on long-run consumption is some form of long-run average income
    c) The long-run consumption function will tend to be steeper than the short-run consumption function
    d) The long-run consumption function will tend to be flatter than the short-run consumption function
    e) Consumption will tend to be a constant proportion of long-run average income (permanent income)
    (a) b,d,e   (b) a,d,e   (c) a,c,e   (d) b,c,e

3. When there is a high interest rate, people prefer to hold _____.
    (a) Elastic   (b) Inelastic   (c) Both bond and money (d) None of the above

4. According to Milton Friedman's restatement of quantity theory of money is a theory of_____.
    (a) Partly Keynesian   (b) Partly non-Keynesian (c) Both   (d) None of the above

5. An increase in aggregate demand is more likely to lead to demand pull inflation if,
    (a) AS is relatively elastic   (b) AS is perfectly elastic
    (c) AS is perfectly inelastic   (d) AS is unit elastic

6. 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

7. 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

8. A rise in money demand

   (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

9. In the IS- LM model, supply of money is assumed as

   (a) Increasing function of rate of interest   (b) Increasing function of income

   (c) Exogenously given   (d) $45678900

10. The neo-classical version of IS-LM

    (a) is an entirely demand oriented theory   (b) is an entirely supply oriented theory

    (c) Applies to longrun determination of ouput   (d) None of the above

11. 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

12. Match the following List 1 1) Keynes 2) Haavelmo 3) R.F Khan 4) JM Clark List 2 a) employment multiplier b) investment multiplier c) balanced budget multiplier d) accelerator

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

13. Which among the following considers the concept of time lag?

    (a) Simple accelerator   (b) Flexible accelerator   (c) Both the above   (d) None of the above

14. 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. Ricardian equivalance was introduced by

    (a) Keynes   (b) Schumpeter   (c) Hawtrey   (d) David Ricardo

(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 Inter temporal budget constraints.

17. Explain user cost.

18. Write a note on Tobin's q-ratio.

19. Write the components of M1.

20. Write a short note on Keynesian solution to inflationary gap.

21. Examine the accelerationist hypothesis.

(2)

22. Explain the primary wave in Schumpeter's business cycle theory.

23. Write a note on 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. Examine the new microeconomics of the labour market and search theory.

26. Examine Hicks theory of business cycle.

27. Write a note on relative effectiveness of monetary and fiscal policies.

28. Write a note on Three sector ISLM model.

29. Write a note on Neoclassical versions of ISLM model.

30. Examine extension of IS-LM models with labour market and flexible prices.

31. Examine Rules versus discretion debate.

32. Write a note on time inconsistency of policy.

33. Justify Ricardian Equivalance.

(7 × 2 = 14 Weightage)

Part D (Essay questions)

Answer any *two* questions. Each question carries 4 weightage.

34. Examine Baumol's Inventory Theoretic Approach.

35. Critically examine the Real Business Cycle Theory.

36. Write an essay on the Hicks-Hansen Analysis.

37. Write a note on Macroeconomic policy, objectives and tools.

(2 × 4 = 8 Weightage)

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