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Name: .....

Reg. No.....

**FIFTH SEMESTER B.A. DEGREE EXAMINATION, NOVEMBER 2018**

(CUCBCSS-UG)

**CC15U ECO5 B07 - MACRO ECONOMICS - I**

(Economics - Core Course)

(2015 - Admission onwards)

Time: Three Hours

Maximum: 80 Marks

Answer may be written *either* in English *or* in Malayalam.

**PART A**

Answer *all* questions. Each question carries ½ a mark.

1. The concept of permanent income hypothesis introduced by  
a. Adamsmith                      b. Duesenberry                      c. Friedman                      d. Modigliani
2. Which of the following areas is not come under Macro economics  
a. employment                      b. trade cycles                      c. theory of demand                      d. Monetary changes
3. Which one is associated with Don Patinkin  
a. Wealth effect                      b. Real Balance effect                      c. Money illusion                      d. Classical dychotomy
4. The perfectly elastic portion of speculative demand for money function is called the  
a. Neutrality of money                      b. Liquidity trap                      c. price elasticity                      d. none of these
5. Under employment equilibrium is the equilibrium at  
a. less than full employment                      b. more than full employment  
c. full employment                      d. none of these
6. A variable which has no time dimension but is described at a specific moment of time is  
a. stock variable                      b. Flow variable  
c. ratio variable                      d. both stock and flow variable
7. GNP gap is equal to  
a. GNP-NNP                      b. GNP-NI  
c. GNP-GDP                      d. Potential GNP- Actual GNP
8. Marginal propensity to consume means :  
a. Inclination to conspicuous consumption                      b. Low income group spending more  
c. Rate of income spent on consumption                      d. the rate of extra income that will be spent on consumption.
9. If the value of MPS is 0.25, what is the value of multiplier?  
a.5                      b. 4                      c. 3                      d. 1.5
10. In classical theory of employment, there is responsibility of :  
a. No unemployment                      b. Voluntary unemployment  
c. involuntary unemployment                      d. Disguised unemployment

11. "Supply creates its own demand" is a law of:  
 a. Inflation                      b. Investment                      c. Consumption                      d. Market
12. The MPC has a value:  
 a. Greater than one but less than two                      b. Equal to one  
 c. Less than one but greater than zero                      d. None of the above

(12 x ½ = 6 Marks)

### PART B

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

- |   |  |
|---|--|
| 13. Define Pigou effect                               | 18. Define Psychological law of consumption. |
| 14. Write a note on MEI.                              | 19. What is Liquidity Trap?                  |
| 15. Elaborate the concept of full employment.         | 20. Explain induced Investment.              |
| 16. What is Green GNP?                                | 21. State the equation of exchange.          |
| 17. Distinguish between ex ante and ex post variable. | 22. What is deflated GDP?                    |
|   | 23. Explain Ratchet effect.                  |
|   | 24. What is transitory income?               |

(10 x 2 = 20 Marks)

### PART C

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

25. Discuss the Life Cycle Hypothesis of consumption.
26. Changes in monetary variables do not affect real variables. Explain.
27. How did Keynes invalidate Classical theory of employment?
28. Illustrate graphically the process of multiplier.
29. Explain different macro economic variables.
30. What are the objectives of Fiscal Policy?
31. Explain the methods of computing National Income. What precautions should be kept in mind while measuring it?
32. Distinguish between inflationary and deflationary gap.

(6 x 5 = 30 Marks)

### PART D

Answer any *two* questions. Each question carries 12 marks.

33. Explain different National Income concepts and their relationship.
34. Critically examine Keynesian Theory of employment. Bring out the significance of MEC in Keynesian theory.
35. Cambridge Cash balance approach is superior to Fishers Cash Transactions Approach. Discuss.
36. Explain permanent income hypothesis.

(12 x 2 = 24 Marks)

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