

**16P126**

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Name: .....

Reg. No.....

**FIRST SEMESTER M.A. DEGREE EXAMINATION, NOVEMBER 2016**

(Regular/Supplementary/Improvement)

(CUCSS-PG)

**CC15P ECO1 C02 – MACRO ECONOMICS: THEORIES AND POLICIES - I**

(Economics)

(2015 Admission Onwards)

Time: Three Hours

Maximum: 36 Weightage

**Part A**

Answer *all* questions.

Each question carries  $\frac{1}{4}$  Weightage

1. The phenomenon where by people confuse nominal and real value of money is called
  - a) Money Illusion
  - b) Fisher Effect
  - c) Classical Dichotomy
  - d) None of these
2. The trial and error process through which equilibrium prices are arrived at in Walrasian system is called
  - a) Walras's Law
  - b) Le Chatelier Principle
  - c) Fisher Process
  - d) Tatonnement
3. Monetary Policy in India is run by
  - a) Ministry of Finance
  - b) RBI
  - c) Ministry of Planning
  - d) Prime Minister
4. If investment is more sensitive to interest rate, the IS curve will be
  - a) Vertical
  - b) Steeper
  - c) Horizontal
  - d) Flatter
5. At liquidity trap region, which policy is ineffective?
  - a) Monetary
  - b) Fiscal
  - c) Both a & b
  - d) None of these
6. The relationship between demand for money and interest rate is
  - a) Direct
  - b) Proportional
  - c) Inverse
  - d) None of these
7. Which is the only sector in Keynesian one sector model?
  - a) Goods
  - b) Foreign
  - c) Money
  - d) Government
8. Transaction demand for money depends on
  - a) Income
  - b) Wealth
  - c) Interest Rate
  - d) CRR
9. The fiscal policy multiplier will be larger if the demand for money is
  - a) More interest elastic
  - b) Unit elastic
  - c) Less interest elastic
  - d) None of the above
10. Ratchet Effect is related to
  - a) Keynes
  - b) Brumberg
  - c) Milton Friedman
  - d) Duesenberry
11. Which of the following relates investment to financial variables?
  - a) Accelerator principle
  - b) Tobins q ratio
  - c) Neoclassical theory
  - d) None of these

12. Value of money is
- a) Directly related to price level
  - b) Independent of price level
  - c) Inversely related to price level
  - d) None of the above

(12 x ¼ = 3 Weightage)

### Part B

Very Short Answer Questions.

Answer any *five* not exceeding one paragraph each. Each question carries 1 Weightage.

- 13. Explain Say's Law
- 14. Explain Walras's Law.
- 15. Explain Keynes effect.
- 16. What is Fisher Effect?
- 17 Explain the idea of *Liquidity Trap*.
- 18 What is Quantity Theory of Money?
- 19 Examine the issue of Central bank autonomy.
- 20 Explain CRR and SLR

(5 x 1 = 5 Weightage)

### Part C

Short Answer Questions.

Answer any *eight* not exceeding one page each. Each question carries 2 Weightage.

- 21. Discuss the Neoclassical Theory of Investment.
- 22. Bring out the inconsistency between Say's Law and quantity theory.
- 23. Explain Samuelson's overlapping generation's model.
- 24. Explain Liquidity Preference Theory of demand for money.
- 25. What is crowding out?
- 26. What do you mean by Time Inconsistency of discretionary policy?
- 27. Explain Taylor rule.
- 28. Discuss the different measures of money supply in India?
- 29. Explain Relative Income Hypothesis.
- 30. Explain Arrow-Debreu Model.
- 31. What is stabilization policy?

(8 x 2 = 16 Weightage)

### Part D

Essay Questions

Answer any *three* not exceeding three pages each. Each question carries 4 Weightage

- 32. Explain how money supply is determined according to Endogenous Models?
- 33. Discuss Inventory-Theoretic Approach to transaction demand for money.
- 34. Explain Permanent Income Hypothesis.
- 35. Explain Accelerator theory of Investment.
- 36. Discuss the effectiveness of fiscal policy and monetary policy using IS-LM framework.

(3 x 4 = 12 Weightage)

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